

# INFORMATION LETTER

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NATIONAL CANNERS ASSOCIATION

For Members  
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## Canners Charge Mandatory AMA Grading and Regional Pricing Violate Price Act

### Testimony Presented to Special House Committees Cites Interference Of OPA with Production

Canners presented testimony intended to show that the Office of Price Administration has exceeded its legal authority in the imposition of mandatory grading and flat regional pricing, before two special House Committees investigating OPA policies and regulations during the week.

These were the House Committee headed by Representative Howard W. Smith, of Virginia, and the House Interstate and Foreign Commerce subcommittee authorized by the Halleck resolution, and meeting under the chairmanship of Representative Lyle N. Boren, of Oklahoma.

Before the Smith Committee, Harold K. Bachelder made a statement dealing particularly with the imposition, through Amendment No. 8 to Maximum Price Regulation No. 306, of the requirement that all canned foods be graded under the AMA system, and E. N. Richmond testified as to the industry's objections to flat regional pricing.

H. Thomas Austern, of Association counsel, told the committee that the price regulations governing canners constituted a violation of the Emergency Price Control Act because they were (1) put into effect without prior consultation of the industry, (2) that the required statement of considerations did not sufficiently support the necessity of the requirements for purposes of price control, and that (3) they clearly brought about a change in the industry's business practices, which he asserted is in direct violation of Section 2 (h) of the Act.

On June 2, A. W. Eames testified before the Committee as to the damage the regulations will do to the standing of canned foods brands and Henry P. Taylor pointed out the wide variations in the type and style of business to be found within the industry.

Congressman W. R. Poage, of Texas, a member of the House Committee on Agriculture which had heard similar representations from the canning in-

dustry during hearings before that group in April, also appeared before the Smith Committee to voice his opposition to flat area pricing, and another witness was Norman Sorensen, formerly of the Food Price Division of OPA. Mr. Sorensen testified as to the reasons for his recent resignation and presented other information regarding difficulties at the agency.

Sessions of the Boren subcommittee were held June 3 and appearances were made by H. E. Gray, who testified as to inequities in the "tin to glass" pricing adjustments; Fred A. Heinz, who spoke on both flat regional pricing and mandatory grading; and by Messrs. Bachelder, Eames and Richmond, whose testimony was similar to that given before the Smith Committee. Mr. Richmond also read into the record a statement prepared by Fred A. Stare.

Reproductions of all the statements available as the LETTER went to press will be found on pages 7694-7701. It is planned to publish more of these statements in the next issue.

### Galbraith Resigns from OPA; Hoffman, Wallace Successors

Price Administrator Prentiss M. Brown has announced the resignation effective May 31 of J. K. Galbraith as Deputy Administrator in charge of the Price Department of the Office of Price Administration.

Mr. Galbraith has been with OPA and its predecessor, the Office of Price Administration and Civilian Supply, since May 1941.

The appointment of Donald Wallace and A. C. Hoffman temporarily succeeding Mr. Galbraith, was announced by Mr. Brown on June 2. The following is quoted from the June 2 press statement:

"Mr. Hoffman, who was director of the Food Price Division from last August to mid-May, will be acting deputy administrator in charge of food price control. Mr. Wallace, director of the Industrial Manufacturing Price Division, and senior division head in the Price Department, will be acting deputy administrator in charge of the remaining price activities which include Industrial Manufacturing Price Division, (Concluded on page 7703)

## DIRECTORS MOVE WFA BE GIVEN CONTROL OF WAGE RATES

### N.C.A. Recommends Return to Formula Prices, Employment by Government of Experienced Personnel

At the meeting of the Board of Directors of the National Canners Association, held at the Shoreham Hotel in Washington on Friday, June 4, the Board gave its approval to proposed industry recommendations presented by the Legislative Committee with reference to government personnel, policies and regulations as they affect the 1943 operations of the industry, and approved a resolution recommending that control of wage rates of labor employed in the processing of perishable or seasonal agricultural commodities be vested in the War Food Administration.

The industry recommendations included the following points:

#### Canning Industry Recommendations

1. Employment of personnel who are practical and not inexperienced theorists.

2. Abandonment of regional area prices and return to formula prices based on the provision of the law that the processor of farm products shall receive a reasonable profit. Formula prices may result in some hardship cases and a division should be immediately set up to dispose, with prompt dispatch, of old cases now pending as well as future cases.

3. Elimination of present regulations requiring compulsory government grades on invoices and return to the use of brands or commercial grades which years of experience have proven to be the most practical method of promoting consumer good will, quality, and production. Also permit the use of the commercial arbitration system established in all important markets in the last 25 years.

4. Increased costs of the 1943 packs to be reflected in price ceilings

5. The industry is opposed to subsidies on principle, but if they are employed in connection with price control, said subsidies, together with the ceiling prices, should cover the costs of

processing plus a reasonable profit. In every case it should be made clear that the processor acts only as agent for the ultimate beneficiary and is never the recipient of any subsidy.

6. Transfer of complete control over manpower and wages of processing employees to War Food Administration where responsibility for production now rests.

7. In all cases the experience of the industry should be consulted in advance of promulgation of every regulation as required by law.

The resolution on control of wage rates was as follows:

Control of wage rates of labor employed in the processing of perishable or seasonal agricultural commodities should be vested in the War Food Administration in order that simplified and expeditious procedures may be developed for authorizing wage increases which are necessary in order to insure a maximum 1943 pack, and for reflecting such necessary wage increases in maximum price schedules of the OPA, subject to the approval of the Director of Economic Stabilization. Such authority should include all labor necessary for the processing of these foods. Agricultural labor and food processing labor are largely drawn from the same supply and the responsibility for wages of both groups and the assuring of an adequate supply of help for each group should rest with the War Food Administration. Only prompt action at this time can provide relief and save crops for the 1943 production.

Following explanation and discussion of the recommendations, the Board recessed until Saturday in order that its members, as well as members of the Administrative Council, Section Chairmen, and Secretaries of State Canners Associations who were in attendance, could interview their representatives in Congress and give these representatives first hand information on the effect of present policies and regulations on the industry's operations, both this year and next.

In a brief business session the Board approved the tentative 1943 budget adopted at its meeting in December, 1942, with the addition of funds to cover the cost of the extra Board meetings this year.

In his opening address at the meeting, President Carroll E. Lindsey outlined the situation in which the industry finds itself and reviewed briefly the industry's unsuccessful efforts to obtain policies and regulations that would permit a maximum production this year. His address follows.

#### Address by President Lindsey

After the date had been set for the Processors Conference last December, and before the conference met, there was a change in the government set-up affecting directly or indirectly all of the agencies that were to participate in the program.

After the date of the April Board meeting had been set, and before the Board met, there was another change in the set-up—a Food Administration was established.

After the present meeting had been called, more changes were made—the Office of War Mobilization was established and a beginning made in the reorganization of OPA.

These changes, naturally, have added to the confusion in the minds of those who have problems confronting them, and who are looking for policies, regulations, and decisions that will have some degree of permanence.

Throughout all the conferences and negotiations that the industry has had with the various government agencies, it has asked for action at such time as would enable the industry to do its utmost toward a maximum food production.

But it did not get such timely action.

In all these conferences, when permitted to do so, the industry has presented its views and recommendations, based upon practical business experience, as to the policies and procedures which would be effective in their operation, equitable alike to the public and the industry, and which would make the greatest possible contribution to the war effort.

In a few cases these recommendations were accepted; in other cases they were rejected; in still other cases they were received sympathetically, but the agency directly concerned was unable, by itself, to act upon them.

In other words, the industry has endeavored, as it should, to deal with the administrative agencies set up to formulate and carry out the war-time program. It has worked unceasingly since early last Fall on the program for this year's operations, and yet today—and this is June 4—there is uncertainty, indecision, and delay. If the industry still wants to do the job expected of it—and you know as I do that it does—there is only one recourse left, when administrative agencies either fail or refuse to act, and that is to go to those who represent you in the legislative branch of the government. You have a constitutional right to do this, and that right becomes a duty when administrative agencies fail down on their job or become so entangled in their relations with each other that needed action is blocked.

Our one job now is to win the war, to do whatever is necessary to complete the job at the earliest possible date. If, in order to win, peace-time practices must be changed, then we'll change every practice that retards the war effort and shift over to others that will help get the job done.

But this is no time to play around with the economic and business set-up of the country, just as a matter of experiment, to try out new theories or pet ideas. We have a right to insist that every policy, every regulation, should be measured by at least two tests:

First, is it necessary to the war effort? Second, will it work? We do not have the time—nor does our entire country have the time—to carry a load of hitchhiking reform ideas on our working trucks.

The call for the meeting today stated that critical problems to be considered would include government wage regulations, the OPA pricing system, subsidies, rationing, and the grading requirement that was retained in the amended order on grade labeling.

On all of these the industry has made known its views to the appropriate government agencies since the Board met in April, just as it did prior to that time.

On wage regulations there has finally come governmental recognition of the fact that, unless the industry is in position to offer a rate of wages sufficient to retain skilled employees and to attract new labor, it can not hope to process the foods that the armed forces and civilian population require—not to mention the needs for Lend-lease.

But the procedure in wage adjustments remain to be worked out so that it will be quickly responsive to conditions that canners may encounter during the active canning season, when failure to make changes when changes are necessary will result in heavy food losses.

Canners most decidedly do not want wages to run wild, nor do they want an arbitrarily rigid control that will let crops rot in the field. No canner wants to be faced with the alternative of either violating a regulation and facing criminal prosecution, or of failing to pack the crops for which he has contracted.

OPA pricing policies and methods are giving the industry many headaches. Price ceilings and wage adjustments have been tied together. Wage adjustments can be authorized by Regional War Labor Boards, within certain limitations, unless the wage increases that are asked are to be made the basis for requests for higher price ceilings. When OPA says it will hold the line on price ceilings, canners are caught between increased production costs and frozen prices for their products. In other words, they are to be penalized for doing what is necessary to save crops and get them into cans. If higher wages must be paid to get needed food production, that necessity ought to be recognized in the policy on price ceilings.

The industry has voiced its disapproval of the regional area flat prices, but its protests have thus far been unavailing. This method of determining price ceilings is contrary to long established practices in the industry, creates inequities and hardships, penalizes canners who have established special merchandising methods, and does not lessen the problem of administering the price control regulations. For this area pricing, canners have sought, first, the substitution of formula prices, such as were used last year; second, recogni-

tion in the price formula of the provision of the law that processors of farm products are entitled to a reasonable profit; third, establishment of a division in OPA that will be able to dispose promptly of hardship cases—both those of last year that are still pending and those that may develop later.

Subsidies, as a matter of principle, are not acceptable to the industry, and that view has frequently been expressed to government agencies. However, if subsidies are deemed necessary to price control, and if they are employed, the industry takes the position that they should be so coordinated with price ceilings as to cover the actual processing costs plus a reasonable profit. The provision of a subsidy in connection with one factor in production costs, such as raw materials, should not be made the basis for denial, in price ceilings, of a proper allowance for other cost factors, such as labor.

Let me emphasize that the canning industry is not seeking a subsidy, nor does it want to be subsidized. If subsidies are to be paid out of government funds to keep down the price of processed products to the consumer, the responsibility for making the subsidy necessary should be clearly defined, and the subsidy itself earmarked to those who ultimately receive it.

The canning industry recognizes both the essential purpose of rationing and the sincerity of those in charge of it, but it also recognizes that present controls are working hardships on canners and are discouraging efforts toward a maximum production, particularly by backing up goods in warehouses. I am glad to report to you that the OPA has agreed upon a program that will permit the movement of civilian stocks out of canners' hands at a rate calculated to reduce their inventories to between two-thirds and three-fourths of those carried last year, and by the first of January result in leaving about 40 per cent of their 1943 packs in canners' hands.

In the matter of grading and labeling, the industry has been relieved of the requirement that the AMA grade be carried on the label. But the amended regulation still requires government grading, and the OPA has announced that regulations will be forthcoming to provide for price placarding by grades, or segregation of products by grades and price groups, in retail stores. The industry, through a committee that conferred with OPA, has stated its position on the subject, and it is this:

(1) That canners grade products for civilian consumption according to commercial grades, with which they are familiar through long usage and which were used for the 1942 pack,

(2) That the commercial grade be carried on canners' invoices to wholesalers and wholesalers' invoices to retailers,

(3) That in event of a question arising as to the accuracy of grades carried on the invoices, the grade be determined by a board of arbitration

appointed under the long-established national arbitration system of the canned food trades.

Representatives of the industry did not accept, nor agree to accept, the provisions of the recent amendment to MPR 306. What was embodied in that amendment was the decision of the OPA.

I have tried to give you a general picture, without going into details on the various problems, and without recounting to you the work of the various committees that have been actively on the job for the industry since the meeting in April.

I realize that we can not at this meeting get answers to many of the problems now confronting you. As individuals you know just how these problems are affecting your ability to go ahead on this year's job, and how they will affect your ability to carry on next year.

Our job, right here and now, is to get the facts set clear and straight in our minds so we can go to those who may be able to help us and get our story across to them.

### Handbook of War Agencies

"Handbook of Emergency War Agencies", prepared by the Office of War Information, is a 143-page guide to Federal agencies all of whose present functions are devoted to the war activities. It does not include the activities of the agencies established for other purposes, even though much of their work today has been integrated with war program. The handbook is designed to help the public reach the services it needs within the emergency war agencies.

### Salmon Pack Statistics

Preliminary statistics on the 1942 canned salmon pack, issued by the Fish and Wildlife Service, show that the Alaska pack in 1942 was 5,072,953 cases, against 6,932,042 in 1941; Pacific Coast States, 759,033 cases in 1942, against 899,589 in 1941; British Columbia, 1,811,561 cases in 1942, against 2,248,870 in 1941. Statistics on the Japanese and Siberian pack in the two years are not available.

The following table shows the pack in standard cases in 1941 and 1942, by varieties, in the Pacific Coast States and Alaska and in British Columbia:

Species	Pacific Coast States and Alaska		British Columbia	
	1941 Cases	1942 Cases	1941 Cases	1942 Cases
Chinook or king.....	363,152	314,090	80,478	24,745
Blueback, red or sockeye.....	1,308,715	1,193,536	455,296	666,572
Silver or coho.....	457,549	396,122	391,408	211,138
Humpback or pink.....	4,809,358	2,816,235	427,765	270,623
Chum or keta.....	860,309	1,090,646	920,471	633,834
Steelhead trout.....	32,646	21,857	3,484	4,649
Total.....	7,831,629	5,831,966	2,248,970	1,811,561

## WANTED AND FOR SALE

### Machinery—Equipment

This column is open only to members of the Association who want to buy or sell canning machinery and equipment. Names of firms listing the items below will be furnished upon application to the Association. In requesting names, please identify items by number.

### WANTED

95-W—Peerless type rotary tomato washer.

69-W—Max Ams can closing machine.

70-W—One 10 to 25 gallon steam jacketed stainless steel kettle, 40 pounds pressure.

71-W—Laboratory steam processing retort.

### FOR SALE

242-S—New Haynie hot water tomato scalding, complete.

243-S—New Sinclair-Scott hydro nested pea grader, equipped for grading four sieves.

### Alaska Used-Machinery Price

To the maximum price of any second-hand machine or part sold in the Territory of Alaska may be added the amount of the actual cost of transportation of such machine or part from Seattle, Washington, to its present location in Alaska. This provision is made under Amendment 88 to Maximum Price Regulation No. 139, which became effective June 3.

### Canners School at Purdue

The annual Technicians' School for tomato products technicians will be held at Purdue University, West Lafayette, Indiana, from June 9 to 18, sponsored by the Indiana Canners Association. Technologists from the National Canners Association and the research departments of American Can Company and Continental Can Company will assist with the instruction.



## COMMENTARY ON COMMODITY CREDIT CORPORATION OFFER

### Review by Association Counsel of Basic Legal Authority and Important Features of CCC Proposal

On May 14, 1943, there was mailed to all vegetable processors, including canners, freezers, and briners of tomatoes, green peas, sweet corn, and snap beans, the formal Offer of the Commodity Credit Corporation covering the purchase and resale of vegetables for processing during 1943 into canned products which will ultimately be sold for civilian consumption. It will be recalled that this offer developed out of the original announcement of the Department of Agriculture on January 28, 1943, of the minimum grower support prices on tomatoes, peas, corn, and snap beans for canning. In connection with the announcement of these support prices, it was stated that the CCC would purchase the pack of certified processors and would resell such products to canners at a discount. In a collateral statement issued simultaneously by the Office of Price Administration, it was announced that the OPA maximum prices for 1943 production would not reflect any increases in the cost of raw material, inasmuch as such increases would be in part absorbed by the proposed purchase and resale program. It was stated in the January release that the prices at which the CCC would purchase from canners would be announced at an early date.

Up to and through March 3, 1943, no announcement by the OPA of ceiling prices nor of further action by the CCC was made. Following the presentation of the industry's difficulties to the House Committee on Agriculture, conferences were held with J. B. Hutson, President of the CCC and Associate Director of the Food Production Administration. (See INFORMATION LETTER No. 924 for March 6, 1943.) During these conferences the position of the industry in opposition to any subsidy plan was presented, and it was suggested that if any subsidy arrangement was deemed necessary in the national interest, such subsidy should be given to the growers whose prices had been increased in the announced support prices.

At the meeting of the Board of Directors of the Association on April 9 and 10, 1943, Mr. Hutson outlined the revised plan whereby the Government would purchase the raw material at the regional support price and resell it to processors at a resale price which would represent the "weighted average price" paid for such raw material during 1942 in the particular region.

At that meeting there was presented a schedule of proposed purchase prices and resale prices for corn, peas, tomatoes, and snap beans. These proposals were immediately published to the industry. (See INFORMATION LETTER No. 929 for April 10, 1943, page 7594.) Panel discussion of the proposed plan followed, during which numerous suggestions were offered to the representatives of the CCC.

About a month later, on May 14, the formal offer was circulated, together with a table of the purchase price and resale price for these vegetables substantially as originally proposed. As issued, the offer covered only tomatoes, green peas, sweet corn, and snap beans. The announcement, however, stated that additional vegetables such as beets, cabbage for kraut, and others may be added in the near future.

To a great extent, it is believed that the offer is self-explanatory. The following comments have been prepared in an effort to explain the basic legal theory underlying the proposal, and to call to the attention of canners certain features of the offer which warrant emphasis.

### Contract Formalities

The legal theory underlying the contract which will result from a processor's acceptance of the Corporation's offer is the same as that underlying any sales contract. Upon acceptance, there will result a contract to sell the raw agricultural commodities as they are received at the cannery. At the moment of arrival at the receiving platform of the cannery, the title to a portion of the tonnage is vested in the CCC at the purchase price, and immediately revested in the canner at the resale price. The precise determination of the portion of the tonnage of any particular vegetable which is thus sold to the Corporation and repurchased by the canner is made at a later date, but in legal theory such sale and repurchase takes place at the time of receipt at the factory. In addition, upon acceptance of the offer, the agreement relates back to all of the included vegetables which were received after January 28, 1943, and processed during 1943. This is true, irrespective of the date upon which the offer is formally accepted.

Except for a raising of the purchase price or lowering of the resale price, under conditions detailed below, all of the terms and conditions of the contract are included in the contract. But it should be carefully noted that the contract does not formally come into existence until the canner is in fact certified by the State War Board. (Paragraph 6). Technically, it might be

considered that where a processor mails his acceptance to the Commodity Credit Corporation and is thereafter certified by the State War Board, the execution of the contract has been completed. As a practical matter, however, the canner should not consider that he has a complete contract and a legal obligation to collect from the Corporation the difference between the purchase and resale prices until he has both executed the Offer and received from the Corporation a letter acknowledging receipt of the acceptance and a statement that he has been properly certified.

It is recommended that in each case the canner retain the original offer, a copy of his acceptance, and the letter of acknowledgment of receipt and verification of the fact that he has been certified. These three documents together will constitute his full contract, and should be carefully safeguarded. If, within a reasonable time after an acceptance has been mailed to the Corporation, a letter acknowledging receipt and the fact of verification is not received, the canner should communicate with the Corporation.

Legally, a separate contract will exist as to each vegetable covered by the offer and acceptance. This contract covering the separate vegetable, however, embraces every cannery owned by the company accepting the offer in which the particular vegetable will be processed during 1943, and, in addition, covers not only the canning in such factory, but also any freezing or brining of the particular vegetable. In short, whenever a vegetable is listed on the acceptance form, every type of canning, freezing, or brining of that vegetable in every factory owned or controlled by the company signing the acceptance is covered by the contract.

In the event that any processor fails to secure verification from a State War Board within a reasonable time, he may appeal to the War Food Administrator. (Paragraph 7.) Every effort should be made, however, to secure the appropriate verification from the State War Board before this right of appeal is exercised. If it is necessary to appeal, no particular forms are prescribed, and it is assumed that in any such case an appeal in the form of a letter setting forth the facts and any correspondence with the State War Board will be considered.

### Obligation to Pay Support Prices

Obtaining certification from the State War Board is a prerequisite to any contract coming into existence. In addition, the processor is required by Paragraph 5 to pay the "support price" specified in Table I attached to the offer. It must be clearly understood that the obligation to pay the minimum support price covers all of the tonnage purchased by the canner, irrespective of whether the products packed from it are sold for government use or for civilian consumption. In



other words, even though the purchase and resale will cover only that part of the tonnage packed into products eventually sold for civilian use, it is a requirement under the contract that the support price be paid on the total tonnage processed.

It is specifically provided that if any support price is raised, the purchase price to be paid by the Corporation must be increased in a like amount.

The contract provides that the price to be paid the grower shall be the support price "for the area" in which the vegetable "is delivered to the Processor." This is defined in Paragraph 13(p) to mean the area in which the processor begins to bear the cost of transporting the vegetable to one of its plants. This definition is not entirely clear. In many cases grower contracts provide specific arrangements for the transportation of raw material; in other instances, raw materials are purchased at the cannery from individuals who have, in turn, purchased them in other areas from growers. Where the grower is located in a different price area from the cannery, it is suggested that the particular areas be cleared with the Corporation, in order that the applicable grower support price can be determined. In all cases the resale price is determined by the area in which the factory is located.

Where the State War Board has approved a schedule of prices according to grades, or varieties, or tenderometer readings, payment of the prices specified by the State War Board will constitute compliance with the contract. (Section 5(a).) Where vegetables are purchased in the open market, rather than from contracted acreage, the "weighted average price" paid for the entire tonnage processed during 1943 must equal the applicable support price for such vegetable or for each of the varieties so purchased. This possibility should not be confused with the question of certification. Certification is based upon the contracting of acreage "to the extent deemed practicable by the State War Board." A certified grower may, under certain circumstances, purchase in the open market. If he does so, the "weighted average price" of the entire tonnage of a particular vegetable must equal the support price.

Where, for example, a State War Board establishes a price for two varieties, one above the support price and one below it, a grower who processes only the lower priced variety is still in compliance, even though his "weighted average price" does not equal the support price specified in Table I. In some areas grower contracts provide for the grower to furnish supplies, such as seed, insecticides, snailage, or services, such as dusting, transportation, etc. Where contracts approved by the State War Board permit the cost of these services or supplies to be deducted from the support price, or where such deductions are otherwise approved by the State War Board, pay-

ment of the net balance to the grower will constitute compliance. It is essential, however, that such arrangements with growers be specifically cleared with the various State War Boards in order that controversy at the close of the season may be avoided.

In this connection, Paragraph 8 of the contract provides that where a material breach of its terms and conditions is committed by the processor, the contract may be rescinded in its entirety by the Corporation. Inasmuch as the principal obligation of the processor is the payment of minimum prices to growers, it should be noted that this paragraph is designed to insure grower payment. Likewise, Paragraph 11 requires that each processor must keep a complete record of all purchases of raw material, including the names and addresses of all those from whom he buys.

In the case of canners or other processors who grow the whole or any part of the vegetables handled during 1943, the contract includes the purchase by the Corporation and resale under the regular terms to the processor of vegetables grown by them. It is important, however, that complete records be kept of such vegetables, particularly with respect to weights received and products packed from such vegetables, in order that the necessary proof to support the Application for Settlement may be available.

In a like fashion, the contract covers processing by cooperative associations. In the case of such associations, however, the obligation concerning the payment of minimum support prices to growers is not applicable.

#### Purchase and Resale

The purchase price to be paid by the Corporation and the resale price to be paid by the grower are set forth in Table I of the offer. In addition, the contract provides for certain adjustments. If the price ceiling for any particular canned vegetable packed in 1943 is increased by any later OPA regulation, and the OPA notifies the CCC that there has been included in the calculation of the new price ceiling any part of the increased cost of vegetables as between 1942 and 1943, the resale price to the grower may be increased by any amount so included. Inasmuch as the 1942 ceiling prices for tomatoes, peas, corn, and snap beans already have been issued, this provision can become applicable only if such ceilings are raised.

In the case of products not yet covered by a 1943 price ceiling, the inclusion in the calculation of a price ceiling of any part of the increased raw material cost may, upon a proper certification by the OPA, permit a change in the resale price. In the event of any change in ceiling price which causes an increase in the resale price by the Corporation to the grower, the new resale price will not be applicable to any tonnage which has already been processed into products which have been sold at the old ceiling price.

As already noted, the contract permits a support price to be raised, but if this is done the purchase price to be paid by the Corporation must likewise be raised by the same amount.

Section 10 of the contract likewise contemplates that the purchase price to be paid by the Corporation may be raised under certain circumstances, even though the grower's support prices are not increased. The first of these is in the case where a processor incurs additional costs in order to get the vegetable delivered at the factory. This provision, it is believed, was inserted not to cover all cases in which the processor pays for transportation costs, but certain specific regional situations in which roadside delivery was made by the grower, and support prices have been calculated on this basis. In so far as can be determined, there appears to be nothing in the contract which would preclude this type of situation to be adjusted by reducing the resale price at which the grower repurchases the vegetables, rather than by increasing the purchase price at which the Corporation will buy it.

#### Hardship Clause

During the course of discussions concerning the offer finally issued, attention was directed to the fact that the basic plan covered only the increase in raw material costs, and made no provision for other increased costs. At that time it was stated that any additional 1943 costs would be reflected in OPA price ceilings, to the extent that the OPA believed that the grower could not absorb them. Moreover, the price ceilings thus far issued are stated to be based upon 1941 labor costs and, in the event of any necessary increases in labor, it is expected that such increases will be reflected in revised price ceilings.

Inasmuch as such price ceilings are on a regional basis, there may be cases in which particular processors are subjected to undue hardship. In these cases, Paragraph 10(b) of the contract permits an application to the CCC to be made at any time, either before or after the offer is accepted. These applications must be based upon a showing that the processor either has suffered or will suffer "an undue hardship." Just what constitutes an "undue hardship" is not defined in the contract. Moreover, any relief which may be accorded under this provision is likewise in the discretion of the Corporation, and there is no legal obligation to enforce the payment of any additional amounts. Adjustments under this provision are to be made by an increase in the purchase price to such extent as the Corporation may deem appropriate. Applications for relief may be made by letter, and must be fully supported by schedules showing the basis for the requested increase.

It seems clear from the contract that such applications must be on an individual basis. Where, through an error

In calculation, some adjustment must be made for an entire region, it is likely that this will have to be handled by joint application on behalf of all of the processors in the region. There is no legal obligation to make any such adjustments once the offer is accepted, and adjustments on a regional basis will, if made, in substance constitute an amendment of the contract.

#### Tonnage on Which Payment Will Be Made

The purchase and resale provisions of the contract cover only that part of the total tonnage processed at any factory which goes into products which are sold for civilian consumption, that is, which are sold to purchasers other than government agencies. It is understood that this will be interpreted to exclude only sales made directly to government agencies. If, for example, a processor sells particular products to a jobber, who thereafter may sell them to a government agency, the sale to such jobber is still to be considered as a sale for civilian consumption. In short, there is no obligation upon the canner to require his customers to certify as to the ultimate disposition of any products purchased.

As a corollary, where existing regulations permit the sale of canned foods to other packers for reprocessing, it would seem that such sales may be regarded as sales for civilian consumption. A specific exception to this rule is contained in Paragraph 9(a) (iv), in which it is provided that brined vegetables sold and canned by another processor may be regarded as civilian sales only to the extent that the purchaser certifies that such brined vegetables went into products sold for civilian consumption.

Similarly, it is immaterial what type of product is manufactured from a particular vegetable. For example, tomatoes may be processed into tomato products; corn may be processed into succotash; peas may be processed into carrots and peas; any of the vegetables involved may be processed into soups. It is essential, however, that in such cases careful records be kept to establish that a particular quantity of raw material was, in fact, processed into these products.

The later release of products reserved for the government is considered below.

#### Partial and Final Settlement

Since the purchase price to be paid by the Corporation is greater than the resale price at which it will resell to the processor, it will be necessary for the processor to make application for payment of the difference. Such application for settlement will have to be made on the prescribed form (1943 CCC Vegetable Form 3), which will be supplied by the Corporation. A separate application will have to be filed for each vegetable processed in each

factory, and a separate application for each type of processing, such as canning, freezing, or brining. The method for computing the amount of raw material on which payment will be made is set forth in Paragraph 9(b).

The final application for settlement is to be filed by December 31, 1943, unless, upon a proper showing made by the individual processor that it will not be possible to submit such application by that date, additional time is given by the Corporation. If, after the final application is filed, the government should release part of the reserve pack or resell any products purchased by it back to the canner, the canner may, up to March 31, 1944, amend his final application so as to include such goods. If the government should release or resell back to the canner any goods after March 31, 1944, these goods may be included in the contract only if the Corporation extends the date for amendment of the final application.

In the event a processor desires to secure partial payment, the contract provides that he may, prior to December 31, 1943, submit not more than two preliminary applications. Presumably, such applications may be made on the same form as the final application, and will probably include goods packed for civilian distribution up to the date of filing. Any payments made on such preliminary applications will undoubtedly be deemed tentative and subject to ultimate adjustment on the final application. Although it is stated that the final application for settlement will be liquidated within 120 days, there is no specific time limit upon the liquidation of any preliminary applications, but it is expected that these will be paid within a reasonable time.

#### Records and Reports

Paragraph 11 of the offer requires that very detailed records be kept of all operations included in the contract. In order to do this it will be incumbent upon the processor to prove, by plant and by type of processing, precisely where each ton of raw material was purchased, from whom, and the price paid for it. It will also be necessary to prove with reasonable certainty the products manufactured, by style of pack and container size, from such raw material, and the persons to whom it was sold. Undoubtedly, allocations will be necessary. In order that applications for settlement may be prepared in proper form, complete and detailed records will probably prove to be essential.

In the absence of any extension by the CCC, the offer must be accepted on or before July 1, 1943. Where a processor desires to apply for an adjustment under Paragraph 10, he may request additional time in which to accept the offer, but in such cases it is important that his request be received by the Corporation well in advance of the July 1, 1943, date. Any additional inquiries concerning the offer may be addressed to the Association, or for-

warded directly to the Fruit and Vegetable Branch, Food Distribution Administration, Washington, D. C. In general, it is recommended that all important questions of interpretation or coverage be cleared up as early in the season as possible.

#### Subsidy Powers of CCC Cut By House Banking Committee

The House Committee on Banking and Currency, which has had under consideration administrative requests for the extension of the Commodity Credit Corporation and expansion of its resources, voted June 1 to report to the House a bill prohibiting any government agency from paying subsidies to maintain maximum prices for agricultural commodities. This prohibition, and a proposal to give the War Food Administrator power to modify price ceilings of agricultural products and commodities processed in whole or in substantial part from agricultural products, were approved by the Committee as amendments to the draft of the bill submitted by the War Food Administration.

In addition to these two amendments, the Committee voted to extend the life of the Corporation for a period of two years from June 30, 1943, and to increase the capital of CCC by \$500,000,000. The Committee failed by a one-vote margin to recommend to the Congress that all government war-time powers relating to the manufacture, production, processing, distributing, and pricing of foods be placed in WFA. This proposal for transferring all food control to WFA, it is understood, will be submitted to the House when the CCC bill comes up for consideration, in the near future.

#### Experimental Sugar Allowed

Food research laboratories requiring sugar for experimental and similar purposes may apply for allotments as industrial users, according to an amendment to the rationing regulations issued June 1 by the Office of Price Administration.

Under provisions of Amendment 64 to Ration Order 3, which became effective June 5, applications for sugar for experimental purposes must be filed with local ration boards. Applications from those who were not industrial users of sugar in 1941 will be referred by the local boards to Washington for action.

A similar amendment (No. 38 to RO 12) permits applications for coffee for experimental purposes.

# ORDER P-115 IS AMENDED

## Provisions For "Repairs, Maintenance, And Operation" Removed From Priorities Regulation

Preference Rating Order P-115 has been amended by the War Production Board as of June 3.

In a letter to the Association, R. E. Arnold, Chief of WPB's Priorities Division, explains that the principal change is that all provisions referring to materials for "repairs, maintenance and operation" have been removed from the order due to the fact that these provisions, in some instances, conflicted with CMP Regulation 5.

Order P-115 as amended, it was stated, therefore covers only material and equipment for replacement or more efficient operation. Applications should in each instance be made on Form PD-285, as there are no provisions for automatic ratings now in the order.

"The automatic ratings for 'repairs, maintenance and operating supplies' are fully provided for by CMP Regulation 5, and the canners should follow the provisions of CMP Regulation 5 in obtaining their requirements for such materials," the letter explained. Text of Order P-115 follows.

Part 1085 (formerly entitled "Maintenance and Operation of Plants Canning or Processing Fruits, Vegetables or Fish") is hereby amended to read "Part 1085, Plants Canning or Processing Fruits, Vegetables or Fish," and § 1085.1 Preference Rating Order P-115 is hereby amended to read as follows:

### § 1085.1 Preference Rating Order P-115

#### (a) Definitions.

For the purposes of this order:

(1) "Producer" means any person located in the United States, its territories and possessions, engaged in the business of canning or otherwise processing fruits, vegetables, or fish, or any person, located in the Dominion of Canada, to whom and in whose name a copy of this order is specifically issued.

(2) "Canning" means the preparation of fruits, vegetables, or fish for market by packing such fruits, vegetables, or fish (either alone or in combination with other commodities) in hermetically sealed containers and sterilizing by the use of heat and includes all operations required for or usually incidental to such preparation.

(3) "Processing" means the primary preparation of fruits, vegetables or fish for market by freezing, dehydration, and packing for the fresh market.

(4) "Material" means any commodity, equipment, accessory, part, assembly, or product of any kind, used in the canning or processing of fruits, vegetables or fish, but does not include

any planting or harvesting equipment, fishing vessels, or fishing equipment or office or transportation equipment, or material for the replacement of the structural or exterior parts of any building.

(5) "Replacement" means substitution of new machinery or equipment for existing machinery or equipment, when not constituting repair.

(6) "Material required for more efficient operation" means:

(i) Material necessary for the most effective use of machinery in existing production lines;

(ii) Material necessary for the expansion of a producer's facilities not including expansion within the meaning of "prohibited construction" as defined by Order I-41;

(iii) Material necessary for the conversion of a producer's facilities so as to permit the use by him of containers fabricated of less critical materials;

(iv) Material required to adapt such lines to the requirements of Order M-81, as amended from time to time, and other orders restricting permitted uses of containers and closures.

(7) "Supplier" means any person with whom a contract or purchase order has been placed for delivery of material to a producer or to another supplier.

(8) "Fish" includes shellfish.

#### (b) Assignment of preference ratings.

Preference rating AA-3 is hereby assigned, subject to the restrictions and conditions of paragraph (c), to deliveries of material required by a producer for replacement, or for more efficient operation; excluding, however, any deliveries of material.

(1) For Maintenance, Repair or Operation obtained pursuant to the provisions of CMP Regulation 5.

(2) For any other purpose that, in the opinion of the War Production Board at the time application is made, as provided in paragraph (c) (2) below, is not in the public interest, does not promote the national defense, or is in conflict with the policy of Conservation Order M-81 (To Conserve the Supply and Direct the Distribution of Tin Plate and Terne Plate) or other like orders.

#### (c) Application of preference rating.

(1) A producer or any supplier, in order to apply or extend the preference rating assigned hereunder shall comply with Priorities Regulation No. 3, as it may be amended from time to time.

(2) The producer shall not apply preference rating AA-3 assigned pursuant to this order, unless he shall have made application to the War Food Administrator on Form PD-285 describing the material needed and the nature of the proposed replacement or addition, and shall have received from the War Production Board a specific authorization to apply such rating.

#### (d) Communications.

All reports required to be filed hereunder, and all communications concerning this order, shall unless otherwise directed, be addressed to: War Food Administrator, Department of Agriculture, Washington, D. C.; Ref: P-115.

#### (e) Violations.

Any person who wilfully violates any provision of this order, or who, in connection with this order, wilfully conceals a material fact or furnishes false information to any department or agency of the United States is guilty of a crime, and upon conviction may be punished by fine or imprisonment. In addition, any such person may be prohibited from making or obtaining further deliveries of, or from processing or using, material under priority control and may be deprived of priorities assistance.

#### (f) Revocation or amendment.

This order may be revoked or amended at any time as to any producer or any supplier. In the event of revocation, deliveries already rated pursuant to this order shall be completed in accordance with said rating, unless the rating has been specifically revoked with respect thereto. No additional applications or extensions of the rating to any other deliveries shall thereafter be made by the producer or supplier affected by such revocation.

#### (g) Applicability of regulations.

This order and all transactions affected thereby are subject to all applicable provisions of the regulations of the War Production Board, as amended from time to time.

Issued this 3d day of June 1943.

## Higher Shipping Case Rating

The preference rating for the procurement of wooden or fibre containers for shipping canned foods, glass food containers (except beverage bottles), and closures, has been raised to AA-3 from AA-4 under terms of Order P-140 as amended May 28, by the War Production Board.

WPB stated that the former AA-4 rating was inadequate for producers or shippers to obtain a sufficient supply of the containers required for shipping canned foods to the armed forces and civilians.

## Willis L. Crites Dies

Willis L. Crites, manager of Crites Moscow Growers, Inc., died recently in the general hospital at Moscow, Idaho, following a long illness and several weeks of hospitalization. He was well known among canners, having been in the canning business in DeGraff, Ohio, during the last World War.



## Testimony Presented Before Boren Subcommittee

### Statement by Fred C. Heinz

The Halleck Resolution, introduced in the House of Representatives February 3, 1943, was welcomed generally by all industry. It is entirely non-partisan, and let us state at the outset that in concerning ourselves with the problems covered by the resolution we are confronted with a public problem rather than merely a problem of business.

Mandatory government grading and flat-pricing will affect every man, woman and child throughout the length and breadth of our country, whether applied to food as now contemplated, or whether applied to clothing, household supplies or any one of a hundred kinds of consumer goods, to which such regulation is equally applicable.

As a manufacturer of processed food products, it is our view that such a restrictive and unsound measure as compulsory grade labeling and flat pricing of consumer goods, particularly food, would have a tremendous and far-reaching effect on the consumer, the farmer, the manufacturer and the merchant. In fact, it would completely change our American way of life.

Mandatory government grades obviously means an arbitrarily fixed grade of any particular food or other commodity, as established by government agents, and suggests an equally arbitrarily fixed price for such grades. This is definitely in conflict with the established business and pricing practices which we have followed through the 74 years that our company has been in business, and we believe the same holds true for others engaged in the consumer goods industry.

This company and others in the industry have succeeded in developing brands and grades of food most suitable to the public, if the volume in which they have been purchased by the public is taken as evidence. This company and others in the industry have always been alert to improve quality, nutritive value and flavor of their merchandise, and have spent large sums of money in study, research, laboratory control and supervision. This has covered everything from the propagation and development of the seeds, the building of processing plants where soil and climate unite to produce the best quality of fruits and vegetables to be packed; and on down to the finished package. It has also included planting, transplanting, cultivating, harvesting, cooking, seasoning, bottling, capping, labeling and distribution. The result has been higher standards, coupled with lower prices, which has been the trend in the industry throughout its existence.

We have spent large sums of money in advertising to acquaint the public with the quality, nutrition value and flavor of our merchandise. Every

good businessman has some idea of the value of the public confidence, whether he can put it in terms of dollars or not. Not many years ago there was no "Uneeda Biscuit," no "Ivory Soap," Today there are a "Heinz 57 Varieties," a "Kodak," a "Kellogg's Corn Flakes," a "Uneeda Biscuit" and "Ivory Soap," a "Quaker Oats," a "Sunkist Orange," a "Wrigley's Gum," a "Gold Medal Flour," a "Beechnut Bacon," a "Campbell's Soups," and a hundred other articles you know about. You use some of them. You have seen all of them advertised.

Because if every portion of the factory, every stick of equipment and machinery and every book, document and paper of every kind should disappear tonight through fire or any other cause, bankers would lend money tomorrow on those "intangible" trade marks and accountants still would "write them into the assets" even if they were the only assets left.

Because when you own a consumer demand which means a brand of goods for which a large number of people ask in the retail stores every day by name, you own something as good as real estate or government bonds—you own something that pays.

Bankers and accountants know it pays, hence their respect for well known trade marks.

You would not condone by bureau or by congressional action the theft of our plants or of our property.

We hold it to be equally illegal to eliminate or to destroy by any bureau or congressional action the brand name which is our greatest asset.

"Who steals my purse steals trash—  
But he that filches from me my good name—  
Makes me poor indeed."  
(Shakespeare)

Mandatory government grades, as such, contemplate at the most three different grades of products as nature produces them, with very little consideration given to the time, labor and expense involved in crop improvement, sanitary kitchen preparation, cooking and handling—indeed without any consideration other than to get the product into the package and on to the consumer in the quickest and cheapest way possible.

Compulsory grade labeling anticipates no quality beyond Grade "A" quality, which would be top, and everything that might go into a package of higher quality would command no premium in credit or price to the farmer or the packer. There would be a ceiling on quality rather than a floor under it, which its proponents contend. This in itself would constitute a radical change in the established business and cost practices now in effect in the industry. We are of the opinion that the adoption of such a plan is not necessary

in the furtherance of the war effort, and we also believe that such a plan involves an attempt to change our domestic economy along lines not authorized by law. We see nothing in the Emergency Price Control Act of 1942, which is the source of the authority under which government grade labeling is proposed, that authorizes the changes in the business practices, cost practices or methods of distribution as established in industry which would necessarily result from it.

Throughout all the years that food has been packed commercially, it has been accepted on the part of both packer and farmer that premium prices would be paid for premium products, and the consumer in turn has become accustomed to, and has approved by her purchases of premium goods, that she has been very glad to obtain goods of extra quality at the higher price.

The quality of the finished product is dependent to a great extent on the quality of the raw material used in producing it. The manufacturers of quality products are constantly endeavoring to improve the raw materials they use, and this encouragement brings about over the years a very definite improvement in farm practices and farm income. The quality manufacturer has been able to maintain plant development laboratories and growers' service departments, to encourage the farmer to produce better crops, thereby improving the farm yield and the income of the farm. To a certain extent, the quality of a food product is measured by flavor, and there seems to be no terminology yet devised by means of which one person can convey to another as intangible a thing as flavor.

Spices play an important part in the production of quality food products, and it is not uncommon for members of the food industry to send representatives to the Far-East for the careful selection of these essential materials.

With grade labeling in force, such an intangible a thing as flavor, and the means of obtaining that flavor, would largely disappear.

To disregard consideration for the highest quality product that could be produced would result in an abandonment of present methods of growing and packaging such quality products, and this would result in an irreparable injury to the industry. Packers would find it necessary to dispense with their established practices in the operation and conduct of their businesses and would be required to adopt entirely new practices and methods, as well as different qualities of products in the place of those that have been developed through the last century.

This company believes that the public is interested in the rules, regulations and orders promulgated by the various war bureaus, and that the public is also interested in any usurpation of authority by the OPA or any other government agency in an attempt to establish mandatory grade labeling and flat

pricing. In offering this comment, we do so for the reason that to the extent the public depends upon us for the quantity, quality and type of foods which we produce, we are bound to do everything in our power to continue to furnish those who depend upon us the type of food they have been receiving in the past, and to resist the adoption of any plan introduced under the guise of being a war necessity, which would prohibit us from continuing to manufacture these products in our own way and denying to the public the opportunity to buy them.

The efforts of our company and others in the industry have produced throughout the years the improvements, innovations and advancements resulting in the better and higher grades of food made available to the public, which has cost a great amount of money but which has been absorbed by the increased public acceptance of those better foods. Had there been mandatory grade labeling before 1906, when the first Food and Drug Act was adopted, products using benzoate of soda as a preservative would have been Grade "A" products and there would have been no incentive to make them any better.

Take another illustration: Consider the only kind of canned corn that could be bought years before open competition induced packers to improve their product. You will recall the appearance and taste of that corn. It was watery, mushy, and full of husks. Certainly it bore no resemblance to the canned corn of today; but if that corn, because it was the best available at the time, had been designated Grade "A," would any manufacturer have had any incentive to improve upon it? Under a government controlled labeling and flat pricing system, would any manufacturer continue his effort to make his product the best on the market? Would he have the financial inducement to carry on the research and experiments necessary to produce the fine fresh-flavored corn that now comes to our tables?

Proponents of this so-called reform are representing it as a necessary wartime regulation. Defeated time and again in their efforts to impose this plan upon industry in peacetime, as when the NRA codes were being drawn, and in the discussions leading up to the enactment of the present Food, Drug, and Cosmetic Act, they have now dressed it up in new clothes and brought it forth as a "war baby." Now they claim that grade labeling and flat pricing are necessary to control of prices during the war. Retail prices of canned and packaged foods have remained most reasonable throughout the war period. Where increases have occurred they have been substantially less than the average increase in general food prices. There has been no wide public complaint. There is no danger of a runaway market; and if further price control should be needed it can be applied to canned and packaged foods in the same manner that it is applied to other commodities.

# Statement by H. E. Gray

One of the questions in dispute between the canner and the OPA which still remains unsettled is the question of pricing food items packed in glass, as heretofore packed in tin.

When the first tin restriction order (M-81), limiting the use of tin to packing of certain foods, was issued, permission was granted to use glass containers on some of the staple items which were restricted from the use of tin cans.

The canners were called upon by the Government to pack the limit of capacity of all food items listed as a necessary requirement for military and civilian consumption. Those canners having the necessary equipment to convert some of their pack from tin to glass carried out their part of the job. Having every reason to believe we would be given the same base for figuring cost and selling prices of commodities packed in glass as was given to those packers of similar commodities packed in tin, we proceeded to do our part in increasing our capacity to our limit of production. Not having packed fruits in glass prior to 1942, we were cautious not to can more than the amount we could not take care of in tin cans, realizing our inexperience in the use of this new container, and gaining knowledge for the future period when, because of further tin restriction, we might be required to use glass in greater volume.

Now may I tell you of the experience of three packers, including my own, as to the difficulties we have experienced with the OPA office in endeavoring to get a satisfactory price to enable us to place our merchandise on the market. We are still struggling with them, and up to date have failed to get any relief. First, I will recite the efforts made by a large and reputable Eastern packer who has, since February, 1942, up to the present time, endeavored to secure from OPA a price which would permit his marketing his products at a figure showing a reasonable profit, instead of an excessive loss. His first contact was with the War Production Board in February, 1942, and from then up to the present time he has made the following contacts, either by letter or in person, or by having representatives from OPA come to his office and examine his cost records, which has not up to the present time brought about a satisfactory conclusion. These contacts date as follows:

February, 1942 .....	1
March, 1942 .....	1
April, 1942 .....	2
May, 1942 .....	5
June, 1942 .....	1
August, 1942 .....	3
September, 1942 .....	3
November, 1942 .....	2
December, 1942 .....	2
January, 1943 .....	4
February, 1943 .....	1
March, 1943 .....	1
April, 1943 .....	2

In December, 1942, stocks of beans already packed in glass had to be sold at a loss of 10.4 cents per dozen.

In all, 28 contacts have been made with the Price Administration, and they still refuse to use reason in line with common understanding of commercial practice.

Now let me refer to the second firm, which is a large canner of fruits and vegetables, having branches in many parts of this country. They first commenced to contact the OPA during August, 1942, placing before a Mr. Breton the point in question, explaining the situation quite thoroughly and completely to his satisfaction. Mr. Breton coincided with the viewpoint of the packer that it would be satisfactory to the OPA for them to establish prices on the commodities in question as outlined in their conversation, which understanding was to be confirmed by letter.

The letter was never sent, and shortly after the discussion above referred to, Mr. Breton resigned, and the canning firm is still awaiting confirmation. Recently Mr. Breton, who is in the OPA San Francisco office, was reminded of the conversation, and he recalled having seen the written confirmation, but it is still missing so far as the canner is concerned.

Repeatedly thereafter, representatives of this firm have endeavored to obtain satisfaction from the present heads of OPA. Their last effort was on May 25, 1943, and the reply received by them from Melville Ehrlich is as follows:

"1. Other companies had sold their goods under the unsatisfactory regulation as it now stands, and to give any relief at the present time would give a price which others who sold did not get. . . .

"2. He stated they could not get any formula worked out to give relief on this matter because there were differences in costs on various commodities and that each item would have to be considered for different treatment. . . .

"3. Mr. Ehrlich brought out the question that profits on other items produced by our company were sufficient to absorb the loss or lack of profit on tin to glass items on which we are demanding relief, and that in his opinion the industry was not being asked to absorb what they could not absorb."

Now I would refer to the experience of my company, the Barron Gray Packing Company of San Jose, California, with the OPA, and our endeavors and failure to receive any satisfaction or relief from the efforts we have made.

Maximum Price Regulation 185, dated July 24, 1942, issued by Leon Henderson, Administrator of OPA, was substantially for the purpose of instructing the canner as to the formula to be used in computing selling prices for the 1942 pack of fruits and berries in any type of container.

Paragraph (e) of MPR 185 instructs canners as follows:

"Where canners maximum price cannot be determined under Paragraph (a), (b), (c), or (d) of this section, a statement of facts should be filed with OPA and when OPA issues authorization of procedure, same will be accompanied by instructions as to the method for determining the maximum price."

My company did not pack fruits in glass in 1941 and therefore did not have the historical background upon which to calculate as instructed in Paragraph (a) of this section. Under the circumstances, we were compelled to follow instructions of Paragraph (e) expecting, when filing for relief, that we would be able to market our pack and consideration given to our plea.

We repeatedly requested relief, by personal contact and telephone, with the San Francisco OPA office, but the only answer given us was that the matter was being considered and we would, in due time, be advised as to what course we could follow.

After making many requests as above mentioned, and receiving no satisfaction, we wired direct to Mr. Henderson as follows:

"We are compelled to withhold from sale our entire pack of fruits packed in glass due to our inability to secure from OPA formula for figuring prices. Some these items have been packed more than four months and we urgently request relief. All this time our competitors who packed last year have been quoting prices our trade. Wire collect when we are to receive price formula."

Mr. Henderson's office did not reply direct, but did, indirectly, 17 days later, through their San Francisco office, advising us that every consideration was being given to the formula for pricing glass-packed fruits.

When OPA met in Chicago in December, 1942, with the canners, I again requested action and was told that the price formulas probably would be ready when the committee visited San Francisco in January, 1943. That committee did make the visit, but without any formula. It was at that time that I publicly protested to Geoffrey Baker, acting chairman of the meeting, against the delay forced upon us. His reply was the usual promise that something would be done.

On January 23, 1943, the OPA did issue a new price formula for us to use in basing our selling prices for fruits in glass, which formula was most unsatisfactory. Study of the formula quickly showed that if we were forced to sell our production of glass-packed fruits on the basis of cost as outlined in MPR 185, Amendment 6, dated January 23, 1943, we would lose money on every case sold. I protested personally to Mr. Baker and Mr. Ehrlich, but they were definite in their answers that they

could do nothing and that my only relief would have to be an order from Prentiss Brown to make any correction.

I did succeed in discussing our case with Mr. Brown and was instructed by him to make a written protest directly to him, he promising to see what could be done. This we intend to do, and hope for some favorable result. However, we are still holding our entire

pack of glass fruits in our warehouse, and will not sell them until relief is granted giving us our rightful privilege of marketing same at prices which will show us a legitimate profit.

May I ask that such questions as you may place before me concerning the tin to glass argument with OPA be directed toward the disputes my company has had with this office.

## Testimony Presented Before the Smith Committee

### Statement by Harold K. Bachelder

The OPA order, or regulation, which purported to provide the conditions and restrictions on the selling by the canners of the bulk of their 1943 pack of canned vegetables is MPR No. 306. Originally it named prices for citrus products only, but provided that additional price schedules could be filed for other products, and that the filing of any such price schedule would operate to bring that product under the provisions of the regulation.

As originally issued, on January 22, 1943, this regulation required, with regard to all products then or thereafter to be brought under it, that all of the products must be priced and sold in accordance with an arbitrary system of government grades, and that a designation of the grade of the contents of each can must appear on the label thereof.

On May 18, 1943, the OPA amended MPR No. 306 by eliminating the requirement that a designation of the government grade appear on the label; and substituting a requirement to the effect that the products must still be priced and sold in accordance with the same arbitrary system of government grades, and that a designation of the grade of all of the cans of each sale at the canner level appear on the invoice.

The changed provision of the original regulation violated Section 2 (h) of the Price Control Act because it compelled two definite changes in the business practices and means of distribution of canners that are not necessary to prevent circumvention or evasion of any regulation, order, or price schedule. The first, and most extreme of these changes was the mandatory use of an arbitrary government grading system in the pricing and selling of canned foods. The secondary change was the requirement that this alleged grade designation appear on the label. The amendment in no way alters the first of these changes. It merely translates the secondary effect from a requirement that the so-called grade be recorded on the label to a requirement that it be recorded on the invoice.

The OPA has expressed its intent to follow up this change with a requirement that the so-called grade appear on the invoice from the jobber or wholesaler to the retailer, and with a re-

quirement that the retailer mark his shelf in such manner as to indicate the so-called government grade of each brand of food he sells.

The ultimate effect of this apparent change is to perpetuate the original illegal intent to force brands to be tied to arbitrary government designations of alleged grades. Thus the OPA, by appearing to give heed to the expressions of Congressional objection to the evils of grade labeling, has subtly resorted to a change which abandons only the words of the evil and preserves its substance.

The system of grades which the OPA has imposed consists of a series of alleged definitions of grades of quality of canned foods which have been published, from time to time, by a division in the Department of Agriculture headed by Mr. Paul Williams. This activity was at one time within the scope of the Agricultural Marketing Administration, and the so-called grading system is rather generally referred to as "AMA grades."

The maximum prices for the 1942 pack of canned vegetables were established on the basis upon which the canner had previously operated; on brands, if he sold by brands, on commercial grades, if he sold by grades. Practically no canned foods were priced or sold commercially on AMA grades at the canner level. Thus the imposition of the demand upon all canners that they price and sell all of their 1943 pack on these so-called grades will compel a very grave and radical change in the business methods of the canners and their customers. The change thus compelled is as definite as if all coal dealers were to be required to sell coal by the kilogram instead of by the ton, or if all dry goods stores were ordered to sell dress goods by the meter instead of by the yard.

But the impact in the case of canners is much more severe. A kilogram is a definite unit of weight. A meter is likewise a definite unit of length. But AMA grades of canned foods are not a definite measurement of anything. They are not grades of quality. They do not reflect differences in food value. They do not reflect differences in consumer acceptance. They do not reflect any other basis of measuring quality. They are nothing but the result of a bureaucratic effort to make an arbi-



trary division of each food into a specific number of grades, and to write out the basis of distinction.

The results fall into two general classes. The first is those foods wherein arbitrary laboratory type tests are imposed, which tests are not recognized by either the trade or the consumer. The other class is those foods wherein the AMA was unable to devise the laboratory type tests and was forced to fall back upon the use of other adjectives to replace the terms "good," "better," and "best." The attempt to write out grade definitions whereby different people in different parts of the country could, at different times, grade samples of the same goods and agree on the grade was an attempt to do the impossible.

The Food and Drug Administration has been struggling since 1930 to write definitions of quality whereby canned foods can be divided into only two grades, and so far has only been able to write such definitions for two canned vegetables and about five canned fruits. Yet AMA complacently boasts of having divided all of them into three or four grades each. Undoubtedly the director of the Metropolitan Opera Company can distinguish the difference between a mediocre tenor, a better than average tenor, and an outstanding tenor; but has anyone ever been able to write out grade specifications for these groups?

OPA states that it cannot police flat area prices without using AMA grades, as these are the only grades which have been reduced to writing and that can be read by OPA enforcement attorneys. Reduced to its simplest terms, this argument is one in favor of the right to violate the statutory prohibition a second time in order to make possible the first violation. But even assuming that flat area pricing is legal the use of AMA grades is not thereby made necessary.

The inconsistency of such a contention is evidenced by the way the OPA has arrived at the announced flat area prices. They have taken figures which they contend represent average 1942 canner costs and then made some adjustments for anticipated changes in cost. The results are the prices they have announced for specified AMA grades. But the canner costs from which they started were costs for specified commercial grades, not AMA grades; thus they contend that it is necessary to use the AMA yardstick to prevent evasion of prices fixed with a commercial yardstick.

Another OPA contention is that canners sold 35 per cent of their 1942 pack on AMA grades, and that therefore the change started last year. They refer to the Army purchases of 1942 pack. But they are in error. The Army did not buy on AMA grades last year. The Army started out to buy on Federal specifications, but departed therefrom by recognizing commercial grades that never existed in any other system of

grading. And the Army bought on prices which were fixed on commercial grades, as it bought on canner ceilings, and they were commercial grade, or brand, ceilings.

The Army contract called for grading by the AMA or the Army. As a matter of fact, the Army really bought on sample. A canner would indicate a block of goods as available. The Army would send an AMA grader who would take samples and report to the Army. If acceptable, the Army would ask the canner's ceilings, and then tell him what it would pay. If the canner thought the goods deserved a higher price, he could submit other goods. As a result, this worked out without too much disagreement on quality, since it was usually easier to offer another block of goods than to argue about grade.

Another evidence of the lack of necessity for AMA grades is the action already taken by OPA with regard to the 1943 pack of citrus juices. The original order—MPR 306—provided for flat area prices by the two AMA grades, A and C. But this was later amended to permit the Army to buy on as many different grades as they might see fit to use. This was done on Army request. As a result, the Army is now buying 1943 citrus juices on AMA grades.

The desire of the OPA enforcement attorneys for written grade definitions is understandable, but their enforcement cannot be helped by the use of hazy and unsound written grade definitions which are not accepted by the majority of the canners or their customers. It would be better to rely upon unwritten grades which are well established and under which an industry has been able to live and grow over a period of many years. Written definitions are not essential to law enforcement. Law enforcement in England is probably superior to that in New York, in spite of the fact that England has no written constitution and has common law crimes, while New York has a written constitution and a written criminal code.

Furthermore, the attempt to change the basis of grading cannot possibly help prevent evasion. On the contrary, it will complicate the problem of enforcement, as it will require both systems of grading to be in use at the same time. Distributors are now saying that many of them have enough 1942 canned food to last them from one to two years under rationing. All this is priced on commercial grades. A substantial part of the 1943 pack is to be priced by formula, which means on commercial grades. An undetermined amount of Army purchases will get back to civilian markets and they are priced on commercial grades. And the regulations for all wholesalers and retailers provide for pricing by them by brands or canner grades. Thus, for at least one year, there will be far more commercial grade prices than AMA grade

prices so far as consumers are concerned. How then can the imposition of the change help police the situation?

The OPA has not recognized these so-called grade distinctions in its rationing activities. Evidently they do not consider these distinctions important or sound enough to justify differences in point values to consumers. The consumer has only two things to spend for food: Points and money. The points are probably more valuable today. All grades of a product will sell for the same number of points. And, likewise, all grades of a product may sell for the same number of cents. Or a lower grade may sell for more cents than a higher grade of the same product. This is due to the fact that the retailer's price ceiling is not based upon grades even though he is to be required to show the grade.

The retail price ceiling on goods is fixed by the addition of certain established percentages of mark-ups throughout the distribution system, these percentages being different for different types of distributors. This means that, even if all manufacturers sold the same grade of the same product at the same price, there would be wide variations in the retail prices, depending upon the type of distributorship involved, and the amount of freight involved. Thus it would be a coincidence if two different brands of the same grade of the same product would appear in the same market at the same retail ceiling price. There will be no intelligible relationship between the retail ceiling prices and the grades. The same grades will retail at different prices in the same market and in many instances lower grades will retail at higher prices than a higher grade of the same product.

In addition, the carry-over goods, and the goods packed in 1943 prior to the applicability of the requirement, will carry no grade designation. Likewise, those products for which there never have been established AMA grading definitions will carry no grading designations. As a result of all of this, the consumer can only be confused and, if she attempts to police retail prices by the use of grade designations, she will unquestionably accuse honest distributors of dishonest practices.

Furthermore, the OPA points to no widespread evasion which could call for the imposition of such a radical business change. They do not claim any widespread or general intentional violations or evasions of the 1942 ceilings. The use of commercial grades did not produce speculative increases in prices, profiteering, undue impairment of living standards, or undue dissipation of defense appropriations. In the absence of some showing that the imposition of AMA grades on part of the 1943 pack is necessary to prevent circumvention or evasion of the order or the ceilings, the imposition becomes another definite violation of Section 2(h) of the Act.

### Statement by A. W. Eames

I feel that flat ceilings, with or without grade labeling, are destructive of consumer good will and established trademarks, are not in the interests of the industry, and are, therefore, a serious threat to us as members of the industry, and not in the interest of the consuming public.

Continuously over the past 25 years the California Packing Corporation has spent annually substantial sums of money to bring to the attention of the American people the convenience, appetite and nutritive appeal of canned fruits and vegetables. This has been the foundation on which the promotion of our Del Monte brand has been based. Other concerns also interested in the production of canned fruits and vegetables have carried on similar campaigns. Some of these campaigns have been nation-wide, others local in character. Money spent in consumer education and promotional work is lost if the quality of the product once used does not result in further purchases. We have, therefore, supported our promotional work with heavy annual expenditures for the development of better and more efficient processing techniques to improve the quality and assure the packing of uniformly high grade food products.

The 1919 pack of seasonal canned fruits and vegetables was 74,000,000 cases. By 1941, the last pre-war year, this had grown to 261,000,000, an increase in the 22 years in the annual pack of seasonal canned fruits and vegetables of 364 per cent. It is generally conceded that the major part of this remarkable increase in production and distribution of canned fruits and vegetables is primarily due to the promotional campaigns which have been consistently carried forward by so-called national advertisers. The increase in volume has been fairly well distributed over the members of the industry as a result of price differentials, which flat pricing will destroy. This tremendous increase in volume has been of material importance to the consumer, as it not only has brought but made possible improved processing techniques, more efficient packing and labor-saving equipment, with a decrease in overall costs, all of which are reflected in materially lower unit prices to the consumer for canned fruits and vegetables today than existed 20 years ago.

The promotional and educational work has developed consumer consciousness and acceptance of certain brands as standards of high quality merchandise. This in turn has resulted in more rapid turnover or movement of these brands through retail stores, which in turn has decreased the jobber's and retailer's costs in handling these brands. In recognition of their more attractive merchandising probabilities because of rapid turnover, the jobbing and retail trade have paid definite premiums for these brands

over the prices at which less well known brands could be purchased. There has, therefore, developed over the years a very definite price relationship between the so-called advertised and non-advertised brands.

During the highly competitive situation which has prevailed in the market for canned fruits and vegetables since 1930, for instance, most Del Monte products have commanded a premium over the less well-known brands of about 5 to 10 cents per dozen. The premium has represented the recognition of the trade that in the case of the so-called advertised brands the manufacturer was delivering with his product a plus service not carried by non-advertised brands which increased the rapidity of the turnover for the retailer, thereby reducing his cost of doing business.

While canned foods under the Del Monte brand have brought a premium from the distributor for the reasons given, these goods have and are moved to the consumer at prices highly competitive with prices charged the consumer for goods of equal quality under less well-known brands. As the consumer in the final analysis must pay for the cost of distribution, anything done by the manufacturer which decreases costs of distribution by speeding up turnover is manifestly in the consumer's interest.

During the tremendous growth in the volume of production of the industry during the past 20 years, there have developed definite differentials in prices between the so-called advertised brands and the non-advertised brands covering top quality merchandise. Likewise there have developed differentials between the brands and commercial grades of groups in the non-advertised field together with definite differentials between the various commercial grades.

These differentials directly reflect (1) the preference of the consuming public for the quality packs of the advertised group, (2) the preference of the public for the quality packs of certain of the non-advertising groups, and (3) the differentiation in value which the consuming public has placed on the different qualities. For instance, the wide spread which has existed between the price of high-quality merchandise and low-quality merchandise is due to the fact that in order to get the normal production of lower quality merchandise consumed it had to be sold at a price enough below that asked for the high-quality merchandise to properly reflect the public's appraisal of it. Under the proposed scheme of flat pricing, as developed by OPA in the tentative ceiling structure suggested for vegetables for 1943, not only has OPA entirely ignored the premium value that the trade has recognized for certain well-known brands of high-quality merchandise over unknown brands, but OPA has also ignored the differential which custom has established as the proper relationship in values between high-quality mer-

chandise and low-quality merchandise.

To illustrate: On the proposed 1943 ceiling prices for peas, OPA has named the ceiling price for Del Monte or equivalent quality approximating our 1941 prices. At the same time, they have named ceiling prices on lower-quality peas substantially over 1941 prices for this quality of peas. They have materially reduced the spread between qualities by lowering the ceilings on the high qualities and raising ceilings on low qualities. The effect of this is (1) in a seller's market to force the buyer to pay a disproportionately higher price for low-quality, slower-moving merchandise than for high-quality, faster-moving merchandise, and (2) to offer a premium for the production of low-quality merchandise by decreasing the price differential normally existing between the high and low qualities.

We cannot confine our consideration of a matter of such importance to the canned food industry and the consuming public to its immediate effect on each. Experience has already demonstrated that merchandise carrying accepted well-known brands moves much more rapidly under rationing than merchandise under unknown brands. We are going to find all of the high-grade nationally advertised products moving from the grocer's shelves well ahead of high-grade non-advertised brands, and both moving much more rapidly than the too-highly priced lower qualities. The ultimate result as we move back into a period of normal supplies will be that the packer of the unknown brands and of the lower quality merchandise who is least able financially to stand the strain is going to find his markets swamped with merchandise which has not moved into consumption.

Let us look at the situation from the standpoint of the smaller packers—some of whom have brands for which in local areas they have built a reputation for quality and which therefore command a premium; some of whom are not so fortunate in having yet gained recognition for quality, and some of whom don't attempt or haven't the ability or facilities to pack anything but lower-quality products. What is their situation under flat pricing?

Custom over the years has in a free, competitive market established the differentials that are necessary to move their merchandise. Under flat pricing, as proposed, these are all ignored. Need I point out what will happen to these packers? They are not financially strong; sooner or later they are going to have to adjust their prices downward to provide customary differentials below the proposed low flat prices proposed for high-quality products. The result is easy to picture; the strong, large packer will be left alone in the field. It does not seem to us that this is in our interests for reasons already mentioned, or of our American way of life.

While this will be disastrous for this type of packer, it will not be to the

particular advantage of the national advertiser, as his price structure inevitably fluctuates with that of the industry.

The flat pricing program, therefore, by reducing the relative price relationship between high-quality and low-quality merchandise, and particularly the premiums which adhere to the nationally-known brands, if persisted in will (1) remove the source of the funds which have made possible the research and promotional work which have been vital factors in bringing the industry to its present high state of development, (2) remove the price differential which the non-advertiser has found it necessary to make to interest the trade in his merchandise, and (3), as presently conceived, increase the incentive for packing low-quality food products.

For the foregoing reasons, as well as others which are obvious, this whole regional flat pricing system has the effect of abolishing all prior methods of production and distribution of canned foods in this country and is an outstanding violation of Section 2 (h) of the Emergency Price Control Act.

#### Statement by E. N. Richmond

The OPA announced to the fruit and vegetable canning industry the policy of flat dollars and cents regional ceiling prices for canner products on December 14, 1942, at the Food Processors Conference held in Chicago December 14-16, 1942.

Regional flat pricing means that one ceiling price is applied to all canners for each variety, grade and can size produced within a particular region. The United States is divided into approximately six OPA regions. No consultations were held with the industry for the purpose of discussing the wisdom of such a method of establishing ceiling prices, and since that announcement the canners have continuously and at every opportunity protested and still protest the method as being unsound and detrimental to production.

The fruit and vegetable canning industry produced in 1919, 74,000,000 cases of products; in 1930, 134,000,000; and in 1942, 298,000,000 cases. This greatly increased production bespeaks consumer acceptance of their products. An industry capable of such advance in production must have handled its methods of manufacture and distribution in a sound manner.

Flat regional pricing of various commodities will change the position of the major number of canners as to costs of manufacturing, quality of products manufactured, and distributing methods. Recently, I made an inquiry of the head of a firm of certified public accountants in San Francisco who handles the audit and cost accounts of some 18 independent canners as to the difference in cost experiences of the top third, the middle third, and the low third of his group. According to

the variety of commodity handled, his report indicated a difference of 4 per cent between the top third and the middle third and from 4 to 6 per cent between the middle third and the low third, or a total of from 8 to 10 per cent, according to variety between the top third and the low third cost experiences. No canner doing national advertising was included in this analysis.

These differences are not the result of efficiency or inefficiency, but are the result of the type of organization for production, equipment for production suited to the quality of pack, and to the type of distribution.

Some canners have sought their position in the canning industry on the basis of manufacturing a few commodities, using special and fast equipment, packing fewer grades, striving for daily volume through the factory, shipping largely from the cooling platform and concluding the season's operations at as early a date as possible following the manufacturing period.

Other canners give greater care to the selection of crop, more care to the handling through the factory, such as to preparation, canning and cooking operations, all of which reduces the volume that can pass through the factory and adds to the costs. Their shipping period is extended over the greater portion of the year.

Other canners maintain large field organizations, advise the growers on culture planting, fertilization, irrigation where used, cultivation and harvesting and, in the instance of fruits, to pruning, spraying, fertilization, thinning, irrigation, cultivation and harvesting so as to improve the quality of the commodity coming into their plants.

Greater care is given to the finer details of preparation, canning, and cooking. Laboratories are maintained for research and for laboratory factory control.

A greater number of varieties is handled, many being delivered and manufactured within the same period of time. Larger sales organizations are maintained and sales are made of the packer's brands and private label brands. Shipments are made, usually, in assorted cars to accommodate the buyer. Shipping is continuous throughout the year. A greater investment in merchandise is required to maintain the inventory of merchandise stocks until the purchaser orders out his purchases. In other words, a complete organization for the quality of the product and service to the buyer is maintained twelve months a year.

Still other canners do all the above mentioned and nationally advertise their brands, normally adding a differential of about 10 cents a dozen for 2½ can size to defray such added expense. Several firms doing national advertising have advertised continuously for a period in excess of 25 years. National advertising on the part of the

few has been very helpful in developing the markets as to consumer acceptance of canned fruits and vegetable products. The producer and the non-advertising canner have indirectly profited from the services rendered to the industry by such national advertising, even though such advertising has been of a particular brand. The canner who nationally advertises will continue to advertise but at no differential in price. He can't stop his advertising because of his tremendous investment in his brand and in his plants. With flat pricing, his sales position for volume will become preferential for the retailer and the consumer will demand advertised brands wherever possible to secure. We may argue that there will be sales for all merchandise due to shortages and, for the present, this statement may be correct, providing rationing points unfairly or unwisely used do not destroy consumer demand. If rationing points are not properly used, it will be the unadvertised brands which will most seriously suffer due to flat pricing.

Smaller business has a right to expect proper consideration and the proper differentials being maintained in relation to their products and nationally advertised brands. Flat regional pricing will roll up the sales ceiling price of the low cost canner and put him in a position he has never heretofore occupied by assuring him of a wide margin of profit. Heretofore, his sales prices were in conformity with his costs and the type of merchandise which he has been manufacturing.

The middle operator would remain in about his present relative position and a definite rollback would, undoubtedly, take place against the top cost operator.

The low cost canner, through larger profits—unless all grower prices are frozen in the field and policed—can roll up the price of the raw product to the producer and make money for himself and, at the same time, ruin the middle and top cost operator by causing them to pay too much money for their raw products. Flat regional pricing puts them in this position. The top cost, as well as the middle cost operator, will, through necessity, have to endeavor to change his type of pack and product. His organization, equipment and the ideals of pack to which his organization have been trained will prevent him from successfully changing fast. The fruit and vegetable canning industry is highly seasonal and many varieties must be handled within the period of a few weeks.

During the spring months, I personally had the opportunity of attending a number of canner meetings called by the OPA at which meetings there were discussed by OPA ceiling prices for certain of the vegetables. The major number of canners objected to the methods of flat pricing and also to the prices being considered. They were told that flat prices, wherever the prod-



uct lent itself to flat pricing, was the policy of OPA. They have stood steadfast to this position.

There are canners of the low cost group who welcome the opportunity and advantage given to them as to profits through flat regional pricing, but the major number of canners are not in approval of the method of flat pricing because of the evident disadvantage to them and to the industry as a whole, affecting both the present and the future cost of production.

Flat regional price ceilings on canned vegetables were announced on the following dates:

Peas	—	March 24
Tomatoes	—	March 27
Corn	—	March 31
Snap Beans	—	April 7

These ceiling prices were announced following the period at which canners had contracted for the raw material and largely at agricultural support prices to the producer.

I would say that the major number of canners are very unhappy over their prospects of operation for the season of 1943. The fruit and vegetable canning industry is not heavily capitalized. Our present tax laws prevent a canner from making other than a very nominal profit, in accordance with his invested capital, and disastrous season's operations in 1943 can very readily affect total production for 1944.

Personally, I have attended many conferences with OPA, other than in conjunction with general canners' meetings, and at such conferences such matters as grade labeling, flat pricing, and subsidies were most vigorously protested.

Under date of May 18 and 19, 1943, a committee of canners, selected by OPA, met with the Canned Foods Division of OPA and for the major portion of two days, discussed the problem of flat regional pricing as pertaining to the various varieties of fruits. We offered a procedure for a formula method which was based upon a sound and justifiable basis of figures, of past experience, and which would allow a canner for 1943, or for any year of price control, to determine readily the proper ceiling price for each variety, grade and can size of the product which he manufactures.

For the season of 1942, the fruit and vegetable canning industry operated under a ceiling price formula and this formula worked out fairly satisfactorily. Under the formula, the largest production on record of canned fruits and vegetables was produced. The formula used for vegetables in 1942 was based upon a weighted average sales price of each canner for each variety, grade and can size of sales made from his 1941 pack for the period of 60 days following the opening of his canning factory for canning operations of each variety, grade and can

size of vegetables. To these weighted average sales prices were added 8 per cent to cover increased costs of labor and miscellaneous supplies and also there was added the allowable increased cost of the raw product. This formula was a formula developed and offered to the canning industry by OPA and supported by the Department of Agriculture. The formula prices for fruits were identical with vegetables, with the exception that 10 per cent was added for the increased cost of labor and miscellaneous supplies. There were some inequities and inequalities in the formula used a year ago. These very definitely could be corrected.

For the above, as well as obvious reasons, the system of regional flat pricing evolved by OPA is in violation of section 2 (h) of the Emergency Price Control Act in that the system revolutionizes production and distribution methods of the canner, which methods have grown up over a long period as a result of experience, and a change to the regional flat pricing system can only result as a detriment to production.

The fruit and vegetable canning industry is conscious of its responsibilities to the Army, Navy, Lend-lease and to the civilian population and has a desire to produce to the maximum of its capacity.

We ask that proper consideration be given, not only by the various governmental departments but also on the part of Congress, so that a sound, practical, simplified, working relationship be brought about between the industry and government agency or agencies to the end that we may be allowed to fulfill our obligations.

At present, fruit and vegetable canning industry operations are dependent upon from four to five governmental agencies: The War Labor Board as concerns wages to employees and The Office of the Director of Economic Stabilization as concerns increased wages being reflected in ceiling prices for the season of 1943; the Manpower Commission as concerns manpower; the OPA as concerns prices and rationing; the Department of Agriculture as concerns raw products, and the Commodity Credit Corporation in conjunction with Agriculture as concerns subsidies.

There is no apparent close coordination, at the present time, between all of these various departments and in many of the petty inter-departmental squabbles, the canning industry finds itself in the position of the innocent bystander and is subjected to the casualties.

It is our belief that the proper functioning of such a huge food production program as is desired and is necessary should be synchronized under one head and the responsibility for production be placed with one government department, confusion eliminated, sound procedure established, and production encouraged.

### Testimony of Norman Sorensen

In his statement to the committee, Mr. Sorensen said that he doubted that the hardship cases that came before OPA totaled as much as 300 in number. It was his belief that if the recommendations made by Dan Gerber and himself on these petitions for relief had been followed, the cases would have been disposed of during the fall of 1942 and the hardship cases would not have constituted an objection to the formula method of pricing.

On questioning by the committee, Mr. Sorensen brought out that letters written by OPA to members of Congress passed through many channels and finally were reviewed by Sol Segal, who always refused to approve of the statements made to Senators and Congressmen. Mr. Ford, counsel for the committee, brought out a letter written by Mr. Sorensen to Senator Millard Tydings in which the statement was made: "Up to this time canners have not objected to the 1943 schedule of pea prices but now these protests are coming in in great volume." Mr. Sorensen stated that the latter portion of this sentence was struck out by Mr. Segal so that the sentence read "up to this time we have not received many protests on the 1943 schedule of pea prices," and in a pencil notation Mr. Sorensen said "this sentence as corrected is not truthful."

In the second paragraph of the same letter to Senator Tydings, Mr. Sorensen said: "It is our intention to adjust the pea prices to the point where we are sure that they will not curtail production." This sentence was crossed out entirely by Mr. Segal, and in the margin of the letter was a pencil notation "then why are we kidding the canners."

It was pointed out to the committee that these statements were made in the letter to Senator Tydings because they were the same statements that were being made by Geoffrey Baker and A. C. Hoffman to individual canners in conferences and also to canner groups and canner conventions.

The committee pursued a line of questioning to bring out a reason for Mr. Sorensen's resignation from OPA, and he related that he resigned largely because he was not in a position to do a constructive piece of work inasmuch as he was hemmed in from all sides by lawyers and economists who would never give approval to his official actions. Finally, Mr. Sorensen was promoted to the position of head of the Processed Fruit and Vegetable Section, but another job was created over that one which made Melville Ehrlich the actual head of that particular section. This action took place after Mr. Brown had said that the lawyers and economists in OPA would no longer be the policy makers and placed them in a subordinate position to the price divi-

sion. Mr. Ehrlich is an attorney and his appointment to this position as actual head of the Processed Fruit and Vegetable Section was purely a circumvention of Mr. Brown's order.

Mr. Sorensen stated that he had never changed his position on grade labeling, as had been stated by Mr. Baker and Dr. J. K. Galbraith, but that he still favored grade labeling, as he always has, on a purely voluntary basis because he believes that the American system preserves the right for every canner to do business as he wishes, so long as he does not violate laws. He advanced the further idea that the real proponents of grade labeling were doing the movement a great deal of harm by making it mandatory at this time because the job is so tremendous that it could only break down in actual practice and would be discredited to the point where consumer groups would no longer have any interest in it. This is bound to happen because sufficient competent graders just are not available during these times and a poor job of grading could be the only possible result. He also added that he did not believe that grade labeling was essential to enforcement of canned food prices.

### Rationed Products Re-listed

A re-listing of products covered by Ration Order 13 is contained in Amendment 32, just issued. Prunes, formerly combined with plums, are listed separately, and chili sauce, formerly combined with catsup, is listed separately also. All types and varieties of beans, including soaked dry beans, pork and beans, lentils, etc., are grouped under one heading, whereas in a previous amendment to this order they were separated. Leafy greens are now defined as including only beet, collard, dandelion, kale, mustard, poke, or turnip greens. Mixed vegetables, under this amendment, are those containing more than 20 per cent by volume of rationed vegetables. Tomato sauces are defined as those containing more than 5 per cent dry tomato solids.

Tomato soup, formerly listed as a separate item, is combined with all concentrated canned or bottled soups in Amendment 32. Tomato sauce, when packed in combination dinners (such as spaghetti or macaroni dinners) is now, by this amendment, a blue stamp rationed food.

Food items listed separately by the amendment may not be separated in the OPA official listing of point values. Items having the same point value may be combined for convenience on the point value chart.

### Chili Con Carne for Rations Exempted from Price Control

The Office of Price Administration has exempted from price control all canned chili con carne sold to the Army for rations.

Chili con carne in 6-pound, 8-ounce cans previously had been exempted. Recently, several packers informed OPA they could can the chili in cans of other sizes for the Army. The general exemption followed.

The action was taken through Amendment No. 8 to Revised Supplementary Regulation No. 1 to the General Maximum Price Regulation. The amendment became effective June 4.

### RATION REPORTS CHANGED

#### Periodic Rather Than Monthly Basis Adopted for Point Inventories

Amendment 35 to Ration Order 13 requires canners to make periodic, rather than monthly, reports on Form 1305. The reason for this change is that the Office of Price Administration has found it is not always practical to change point values as of the last date of each month. Since inventory point values must be calculated at the time point values are changed, it was concluded that inventory reports be made as of those dates.

The periods these reports are to cover are listed below. The canner must mail his report to OPA not later than eight days after the inventory date at the end of the reporting period.

May 2 to June 5, 1943, inclusive.  
June 6 to July 3, 1943, inclusive.  
July 4 to July 31, 1943, inclusive.  
August 1 to September 4, 1943, inclusive.  
September 5 to October 2, 1943, inclusive.  
October 3 to October 30, 1943, inclusive.  
October 31 to December 4, 1943, inclusive.  
December 5, 1943 to January 1, 1944, inclusive.  
January 2 to January 29, 1944, inclusive.  
January 30 to March 4, 1944, inclusive.  
March 5 to April 1, 1944, inclusive.  
April 2 to April 29, 1944, inclusive.  
April 30 to June 3, 1944, inclusive.  
June 4 to July 1, 1944, inclusive.  
July 2 to July 29, 1944, inclusive.  
July 30 to September 2, 1944, inclusive.  
September 3 to September 30, 1944, inclusive.  
October 1 to October 28, 1944, inclusive.  
October 29 to December 2, 1944, inclusive.  
December 3 to December 30, 1944, inclusive.

### RECRUITMENT OF LABOR

#### WMC Memorandum to Regional Directors Reviews Progress of Work

A memorandum to all regional directors of the War Manpower Commission reviews the progress of cannery labor recruitment and mobilization and states that up to May 28 there had been received 2,700 individual plant reports setting forth labor requirements of employers in the food processing industry. Tabulation of this data, it was stated, will soon be complete and will be made available to all State and regional farm placement personnel as rapidly as possible. One State has submitted a report showing a breakdown of the demands for labor in in-plant operations, by local office and by week, and a chart has been prepared for the State as a whole furnishing a comprehensive picture of the over-all recruitment problem.

The memorandum to the regional directors emphasizes that regional, State and local office personnel should devote considerably more attention to the perfection of complete community mobilization programs. For this purpose it urges that community programs draw in and make use of the facilities of other government agencies, civic groups, and employers. It is essential, the memorandum points out, that the organization of these groups start well in advance of the actual seasonal dates of operations in order to assure maximum utilization of local labor.

Public Law 45, which provides funds for the Department of Labor to use in the mobilization and utilization of field farm labor, makes no provision for defraying transportation costs for processing labor. Therefore, the memorandum states, it is incumbent upon the employer to work out to the best of his ability the problem of transporting such labor as the Bureau of Placement may be able to recruit for him from the point of recruitment to his place of business.

### Clark Promoted at OPA

Appointment of Ellsworth E. Clark as Assistant General Counsel in charge of the Rationing Legal Division of the Office of Price Administration was announced June 2 by Price Administrator Prentiss M. Brown.

Mr. Clark has been with OPA since March 26, 1942, and was Chief of the Food Rationing Legal Branch until April of this year when he became Acting Assistant General Counsel for Rationing.

## PEA CONDITION REPORT

Information as of June 1 Compiled by  
Division of Statistics

Excessive rains and cool weather have retarded pea seeding in New York, Michigan and a number of the other northern districts. In those districts the acreage that has been planted has germinated poorly and prospects as of June 1 were poorer than they have been for many years.

In the Middle Atlantic States the pea crop was in generally good condition on June 1, with harvesting of Alaskas started. Flood damage in Ohio and Indiana has reduced the crop in those States considerably.

Illinois and Wisconsin report generally fair conditions except the lateness of the season is expected to cause considerable bunching at harvest. Following is the report by districts as prepared by the Association's Division of Statistics.

**MAINE.**—Season late; excessive rain has delayed planting; less than 50 per cent of planned acreage planted to June 1.

**NEW YORK.**—Season from two to three weeks late due to excessive rain. Seeding to June 1 less than 40 per cent of that planned. Farmers returning seed as plantings from now on considered too risky in view of unsettled conditions.

**MIDDLE ATLANTIC. — PENNSYLVANIA:** Alaskas in full bloom; pods setting. Sweets just starting to blossom. Stands fair to good in south, poor in northern part of State due to ground being too wet. Aphids appearing in some fields; **MARYLAND:** Alaska stands good but sweets poor; season late; some early fields Alaskas being packed; good yields. Aphids showing up in many fields; **VIRGINIA:** Alaskas being packed; yields only fair due to drought during April; rains came in time to improve Sweet prospects; **DELAWARE:** Conditions very favorable except for some aphid damage.

**OHIO.**—Considerable acreage lost because of floods; remainder in fair condition but late.

**INDIANA.**—Acreage loss due to floods and wet weather ranges from 10 to 40 per cent. Peas planted before heavy rains have developed considerable root rot, prospects for pack very poor.

**ILLINOIS.**—Crop about two weeks late; wet weather prevented some seeding. Alaskas: stands good. Sweets: thin stands and weedy. Packing season promises to be short with much bunching.

**MICHIGAN.**—Planting conditions very poor due to continued heavy rains; less than 30 per cent of acreage planted to June 1 with little prospects of getting more sown.

**WISCONSIN I.**—Stands very good with conditions favorable except late.

**WISCONSIN II.**—Season late due to cold weather; early plantings very good condition; plenty of moisture; peas strong and good color.

**WISCONSIN III.**—Season 10 days to two weeks late; peas that are up, however, are sturdy and have good color.

**WISCONSIN IV.**—Weather too cool for best germination; peas that are up look strong and healthy. Excessive rains, however, have caused some injury last few days.

**WISCONSIN V.**—Crop looks very good but is from six to 10 days late. Growth has been slow due to cool weather. Expect bunching at harvest. Doubtful if over 80 per cent of crop now in prospect can be harvested because of labor conditions.

**MINNESOTA.**—Season about 10 days late but stands about average and crop condition good.

**IOWA.**—Peas reported in good condition but need sunshine; some aphids appearing in late plantings.

**COLORADO.**—Weather cool. Crop normal and very good quality. Stands about 90 per cent.

**UTAH.**—Heavy frost damage on early peas ranging from 12 to 75 per cent. Condition favorable for later plantings.

## Pea Acreage Reports

Reports received from most of the canners packing peas in the East and Midwest indicate the following acreage for the 1943 pack:

Maine and New York—Alaskas, 34 per cent of last year; Sweets, 48 per cent of last year's acreage.

In the Middle Atlantic States, Alaska acreage was reported at 96 per cent, with the Sweet acreage at 110 per cent of last year.

In the Midwest the Alaska acreage was reported at 98 per cent and the Sweet acreage at 109 per cent of last year. Wisconsin's acreage; Alaskas 99 per cent and Sweets 115 per cent.

Complete reports have not been received from the Western States. A full report of planted acreage will be issued in next week's **INFORMATION LETTER**.

## Libby Promotes L. V. Hass

Libby, McNeill & Libby recently announced the promotion of L. V. Hass to general superintendent of all of their canneries east of the Rockies. He succeeds A. E. Hansen, retired after 30 successful years of service with the company.

Mr. Hass has been with Libby eight years, the last three of which were spent in the eastern general superintendent's department in Chicago.

## Tuna Canners May Continue Suppliers' War Risk Payment

Canners of tuna fish may continue to pay the war risk insurance of fishermen and boat owners supplying them, where this has been the custom, without being guilty of evasion of the maximum prices set for the tuna.

This was announced by the Office of Price Administration with the issuance of Amendment No. 1 to Maximum Price Regulation No. 306 which became effective June 4. Text of the amendment follows:

Section 8 is amended by inserting after the sentence "No person shall as a condition of selling any fresh tuna fish, require a purchaser to buy any other species of fish or any other product," the sentence "The payment of war risk insurance premiums for the producer by a purchaser shall not be considered an evasion of any of the provisions of this regulation."

## Ammonium Nitrate Available

The War Food Administration has announced that ammonium nitrate is now available and can be substituted for nitrate of soda or sulphate of ammonia where they have been used in the past. However, it must be applied at a lower rate per acre than nitrate of soda, because of its higher nitrogen content.

## Burial of A. R. Dunbar

Funeral services for the late Arch R. Dunbar, whose death was reported in last week's **INFORMATION LETTER**, were held May 27 at Des Moines, followed by burial at Grimes, Iowa, where Mr. Dunbar operated the Old Grimes Canning Company. Since last week's report of his loss to the industry, more details have been made available concerning Mr. Dunbar's career.

Born in Des Moines 54 years ago, he had lived a number of years in Grimes where in 1932 he organized the Old Grimes Company. In 1937 he founded the Beaver Canning Co., and it was while attending a stockholders' meeting of the latter concern in Kansas City that he was stricken with cerebral hemorrhage on May 22. Death occurred in a hospital there three days later.

Mr. Dunbar was a veteran of World War I, a Mason, and member of the Hyperion Club of Des Moines. As reported in last week's **LETTER**, he had served as a director of the National Canners Association and was a former president of the Iowa-Nebraska Canners Association.



## Canning of Giant King Crab Is Planned for This Season

The giant king crab of the Bering Sea which before the war supplied a substantial amount of the canned crab which the Japanese sold to the United States will be canned commercially by Americans this year for the first time, Harold L. Ickes, Coordinator of Fisheries, has announced.

Prior to the war the Japanese were taking the king crab in sight of American territory, canning it on floating canneries, and shipping it to the United States for sale. In one pre-war year alone we imported 10,720,000 pounds of crab-meat valued at \$4,582,000 from Japan and 95 per cent of our canned crab came from this source.

Following reports that the Japanese were fishing in the Bering Sea, which lies north of the Aleutian Islands and the Alaska Peninsula, President Roosevelt requested the U. S. Fish and Wildlife Service of the Department of the Interior to make a thorough investigation of the Alaska crab situation and Congress provided special funds for this research. The findings are now available to American fishing interests and it is on the basis of this report that commercial operations will begin this summer.

The king crab occurs all the way down to the southern tip of Alaska but it is much more prevalent in the waters farther north. The crab, compared to the familiar ones of the United States, is enormous in size. The average male large enough for canning weighs about five pounds but the Service's investigation staff caught many larger ones. The largest caught weighed over 22 pounds and, with legs outstretched, measured some 50 inches across. The crabs yield between 20 and 35 per cent of live weight in meat. It takes from six to 20 crabs to fill a case of 48 half-pound cans.

Some previous efforts have been made to establish a crab canning industry in Alaska but these have been generally small and have failed due to lack of capital for expensive exploratory work or due to inexperience in packing the product.

## Use of War Prisoners

The War Department has issued a statement that plans for the disposition of prisoners of war are under study, and their availability for farm work, as well as for other types of permissible labor, is being considered.

The statement also outlined the requirements for the treatment and employment of prisoners as laid down by the Geneva Convention.

## GALBRAITH RESIGNS FROM OPA (Concluded from page 7687)

Industrial Materials Price Division, Fuel Price Division, Textiles, Leather and Apparel Price Division, and Services and Consumer Durable Goods Price Division.

Mr. Wallace has been on the staff of OPA and its predecessor, the Office of Price Administration and Civilian Supply, since October, 1940, and Mr. Hoffman since July, 1941. Last month Mr. Hoffman was named a special assistant to Mr. Galbraith.

"These changes do not affect price policies and programs which are under way in the Office of Price Administration," Mr. Brown said. "There will be no relaxation in the hold-the-line program. The national office, our field offices, and the local War Price and Rationing Boards will continue their work without interruption or change of direction."

"The most important task before OPA today in controlling the cost of living is the establishment of community-wide dollars and cents ceilings for principal foods in the housewife's market basket. This program is being carried out as rapidly as possible."

## Corn, Bean, Tomato Bulletins For Pennsylvania Canners

"Growing Sweet Corn," "Beans for Canning and Quick Freezing," "Picking Tomatoes for the Cannery," and "Increasing Tomato Yields" are the titles of recent mimeographed statements issued by the Pennsylvania State College. These statements are available to Pennsylvania canners through the office of their County Agricultural Extension Agents, located in the county seats. The Raw Products Bureau of the Association has obtained a limited supply for distribution to members in other States, upon request directed to the Bureau.

## Army Corn Grade Preferences

Grade preferences in the purchases of canned sweet corn as set out in FDO 22.4, published in the INFORMATION LETTER for May 22, were in the following order: Fancy, Extra Standard, Top Standard. This represented a change in the order from last year when Extra Standard was first preference and Fancy was second.

The Association is advised that the order is expected to be amended so as to restore last year's order in preferences, and that the Army will follow its practice of last year in buying, which, in effect, will give the canner an option of furnishing either Extra Standard or Fancy.

## Provision Covers Wholesaler Recalculation of Ceiling

Wholesalers of canned fruits and vegetables, may be required to recalculate their maximum prices in case of changes in the cost to them from suppliers, the Office of Price Administration announced June 2.

Under Amendment No. 2 to Revised Maximum Price Regulation No. 237, effective June 7, the wholesalers are required to recalculate their prices after final dates established in the regulation, provided OPA so directs.

If any changes in cost, either up or down, are substantial enough to lead OPA to issue such direction, it will be transmitted to the wholesalers by written notice from their suppliers.

The provision will aid in enabling the OPA to pass on to the consumer any roll-back that may be effected at processor levels. In addition any increase required by law can likewise be passed on through the operation of this provision. A similar provision will be issued in the near future for Revised Maximum Price Regulation No. 238, covering the sales of the same food commodities at retail, OPA stated.

## Army and Navy Victory Gardens

The Army and Navy are planting hundreds of acres in Victory Gardens at training camps, hospitals, and other military establishments throughout the country, the War Food Administration has announced.

At some Army camps, prisoners of war are being assigned to work in the gardens although much of the labor will be performed by men volunteering from the enlisted ranks. The large-scale garden projects, usually ranging from 30 to 60 acres, have been authorized by the War and Navy Departments. Seed is available from stockpiles maintained by the Department of Agriculture. In addition to yielding many thousand tons of vegetables and permitting a greater variety of fresh vegetable rations for the men, the production of heavy truck crops at points of consumption also is intended to relieve transportation facilities.

The Army has established a policy of not buying any farm machinery since it does not want to place extra demands upon critical materials needed by the Nation's farmers. Work requiring farm machinery will be done by hiring and borrowing equipment from neighboring farmers. It was pointed out that nearly every military base has tractors available which can be used for garden work and that in some cases, soldiers might use their "Jeeps" for plowing.

## NEW PLAN OF RATIONING IS ANNOUNCED BY OPA

### Canner to Wholesaler Movement During Packing Season Is Facilitated

The Office of Price Administration has announced a ration plan designed to encourage processors to can every ounce of fruits and vegetables possible during the canning season, and to permit wholesalers to withdraw their usual portion of the current pack under processed foods rationing.

The following explanation of the plan appears in the OPA press release.

In effect, the OPA plan offers an inducement to the canner to put his canning equipment on a full production schedule, and to keep it there until the canning season ends, with the assurance that wholesalers will be given sufficient ration points to take a large part of the canner's production off the canner's hands as soon as it is packed. This assurance is important because, under rationing, the power to buy rationed goods is necessarily restricted. OPA recognizes that fact and, after close study of the problem made in conjunction with the processed foods industry, offers its solution to the problem.

Tailored to fit industry practices, the plan is expected to win the full support of the processed foods industry. The cooperation of canners, and of wholesalers and chains, is essential to its success.

The program is based on an arrangement whereby:

1. Wholesalers will be given an increased point working capital.
2. The use of this point capital will be regulated by an increased maximum allowable inventory to be given every wholesaler for each month during the packing season.

During March, April, and May—the first three months of processed foods rationing—the wholesaler's maximum allowable inventory was restricted to the equivalent of about a three-month stock; i. e., a stock equal to about three months' sales. In June, this allowable inventory figure has been stepped up to about a four-month stock. During the next four or five months of the canning season, it will be increased further.

The need of placing additional purchasing power in points in the hands of the wholesaler becomes apparent when historical practice of the industry is considered.

Under our American food distribution system, the wholesaler concentrates much of his buying from canners in the months of June, July, August and September. Unless provision were

made for this seasonal pattern, he would not be able under rationing to purchase and store the amounts of processed foods necessary to insure an adequate supply for the public in later months. Accordingly, OPA has moved to give him the purchasing power needed in points to take care of this seasonal upsurge in his buying activities.

During five months—June to October, inclusive—the canning industry usually packs 73 per cent of all the processed foods put up during the calendar year. In three months—July, August, and September—55 per cent of the total annual pack is put up.

Storage facilities of the canning industry are not equal to the job of storing this large excess in production over current consumption. Consequently, the wholesale distributor—in keeping with a practice that has grown up with the industry—buys most heavily during the canning months, thereby taking the bulk of the new pack off canners' hands and putting it in wholesale warehouses.

In order to facilitate this canner-to-wholesaler movement during the canning season, the OPA plan provides a substantial increase in wholesaler buying power by increasing the wholesaler's maximum allowable inventory.

In addition, the plan provides as its second basic point a reserve of point working capital that wholesalers can use in taking down their portion of the processed foods pack. (The explanation that follows on point working capital should not be confused with the foregoing explanation of allowable inventories and of inventory factors. The maximum allowable inventory determines the amount of stock a wholesaler may have at any one time during a specified month, and the following describes the method followed by OPA in determining the amount of working point capital which will be granted to wholesalers for their use as a special ration point buying reserve.)

Under rationing, the amount of stock that a wholesaler can carry in any one month is determined by his maximum allowable inventory. The maximum allowable inventory, in turn, is computed by multiplying his sales, or transfers, during a base month, by a factor set by OPA.

Thus far, under processed foods rationing, many wholesalers' purchases have been restricted. That was because consumption was running well ahead of production, and stocks held by wholesalers were not well balanced, circumstances that were taken under consideration in determining the month-to-month inventory factors.

However, with the approach of the

canning season, the picture has reversed itself. During the canning season production of canned foods will be greater than consumption. Consequently, OPA for the first time since processed foods rationing started is able to increase the wholesaler's maximum allowable inventory.

Compared with a factor of 3 for May, the wholesaler is given a factor of 4 for June.

In July the factor will be 5 and for August the factor will be 5½.

In September it will be 6, and tentatively—the October factor will be 6, and November 5½. However, it should be noted that the October and November figures are tentative and, therefore, subject to change if the supply outlook changes.

By giving canners and wholesalers a line on what the inventory factor of coming months will be, OPA is seeking to strengthen their position under rationing with these advantages:

1. Wholesalers will be able to plan their purchases ahead.
2. Knowing that a ready market exists under rationing for all the processed foods the canning industry can produce, individual canners will be able to lay out their operations accordingly. Their footing will be firm.

To this end, the plan provides for each wholesaler a point working capital reserve. In order to provide the wholesaler with points needed to step up his purchases of the food pack, his point capital will be adjusted in the following manner:

1. The wholesaler's total April transfers (already reported to OPA, Washington, on Form R-1310) will be multiplied by 7.
2. His point inventory as of May 1 (i. e., the amount of points in inventory and on hand available for making rationed purchases) including the number of points the wholesalers owe OPA will be subtracted from the figure shown above.
3. The OPA will send him a ration check for the difference, less any remittances made by OPA during May and plus any payments received by OPA since May 1.

This point purchasing power reserve will be given to the wholesaler in one lump sum, not in monthly applications. The purpose is to complete the job of setting up a point capital reserve in a single operation, thus avoiding extra bookkeeping, and minimizing delay in using the reserve when such use is permitted.

It will not be necessary for any wholesaler to communicate with OPA regarding the adjustment of point capital as checks will be mailed automatically and should arrive on or before June 15.

"The plan places no limit on the amount of processed foods that an individual processor can ship," a rationing official explained. "It places sufficient purchasing power in the hands of wholesalers to move 30 per cent more merchandise, in the aggregate, than was moved during this period from the 1942 civilian pack.

"The plan gives greater freedom to canner and wholesaler, and at the same time imposes upon each a greater responsibility. In order to get the most out of our food supply, wholesalers must schedule their buying, and must keep their inventories balanced. They must be careful not to overbuy at any one time, or for any one month. They must be sure that they will have sufficient points available to pay in points for everything they contract to accept. Canners, meanwhile, must exercise their judgment in seeing that they don't over-commit themselves to any individual buyer, thus running the risk of finding themselves with undelivered stocks at the end of the canning year.

"This is sound merchandising policy. It is also sound, practical patriotism, for few issues are so vital to the success of the war effort as the matter of conserving our food supply."

### Bulk Users of Gasoline To Be Placed Under Ration Banking

Plans to bring large bulk users of gasoline—owners of large farms, and others—into the ration banking system to eliminate the need for handling large numbers of ration coupons have been put into effect by the OPA.

Beginning June 1, bulk users who receive 900 gallons, or more, of gasoline a month by bulk delivery into their storage tanks were issued gasoline deposit certificates by their War Price and Rationing Boards instead of bulk ration coupons. With these certificates the consumer opened a ration banking account against which he may write checks to cover his gasoline purchases.

The certificates will cover only that gasoline which is to be transferred into the user's storage tanks. For any gasoline which he intends to have transferred directly into the fuel tank of his automobile, or trucks, regular consumer coupons are being issued.

Bulk consumers whose needs are less than 900 gallons of gasoline a month are receiving consumer coupons ("A," "B," "C," "D," "E," "R," or "T" coupons) approved for bulk transfer.

These provisions, OPA pointed out, have the effect of doing away with the further issuance of 100-gallon bulk cou-

pons. Bulk coupons which are now outstanding will continue to be valid for the period for which they were issued. The action was taken in Amendment No. 50 to Ration Order 5C, effective June 15.

### Tomato Juice Points Reduced

A reduction in the point value of tomato juice and vegetable juices containing 70 per cent or more of tomato juice will become effective June 6, the Office of Price Administration has announced.

The reduced value for a No. 2 can is 3 points and for the 46 oz. can it is 4 points. Previously, these sizes had ration values of 6 and 11 points, respectively.

### "Safety Speeds Production"

A pamphlet, "Safety Speeds Production," published by the Division of Labor Standards, U. S. Department of Labor, has been prepared in response to requests from management, faced with the current shortage of experienced supervisory employees, especially those with any training in safety.

Directed to supervisors, the material comes from the experience of hundreds of foremen. It was reviewed for accuracy and usefulness by safety engineers in large war plants.

Requests for copies should be addressed to the Division of Labor Standards, U. S. Department of Labor, Washington, D. C.

### Brownlee Is Named Director of Transportation for WFA

The War Food Administration has announced the appointment of James F. Brownlee of Louisville, as Director of Transportation for the WFA.

Mr. Brownlee is on leave from the presidency of the Frankfort Distilleries, Inc., of Louisville. He will act as direct representative of Administrator Chester C. Davis in coordinating the transportation work of the various agencies of WFA. The separate transportation offices will continue to carry out their usual operations as in the past. Mr. Brownlee will be responsible for shaping general policies for arranging to transport essential foods and farming and processing supplies into and out of the country and for major movements within the country. In carrying out this work, he will work closely with officials of other government agencies and of the transportation industry.

### Pressure Cooker Production Increased by WPB Allocation

Announcing that the War Production Board has begun allocating materials for the production of another 125,000 pressure cookers of types suitable for home canning, the Consumers' Durable Goods Division of the Department of Agriculture recently stated that total production of these utensils during 1943—about 275,000—would exceed the output of any previous year. At the same time the USDA, which has set up the distribution machinery for the pressure cookers, explained details on how they will reach most needful consumers and at the same time assure greatest extent of use.

The projected production of 125,000 is in addition to the 150,000, production of which was begun two months ago following about three months of completely curtailed production. On the basis of reports from manufacturers, approximately 31,000 of the 150,000 were distributed to retailers by June 1. With additional manufacturing capacity coming into operation, it is expected that production during June will be about 55,000 and in July, about 60,000. Thus, by August 1, a total of 145,000 will be ready. The remainder and the additional 125,000, it is proposed, should be completed before the fall canning seasons.

The cookers are being rationed under the USDA plan of distribution. Each buyer must present a purchase certificate, issued on the basis of the consumer's probable output from the cooker.

### J. F. Carroll Made Assistant Director of Food Rationing

Harold B. Rowe, Director of the Food Rationing Division of the Office of Price Administration, on June 2, announced the appointment of Jean F. Carroll as Assistant Director of the Division.

A native of Bloomfield, Iowa, Mr. Carroll has spent his business life in the food industry. He comes to OPA from the Kroger Grocery & Baking Company where, as branch manager in charge of operations of some 350 stores in the company's St. Louis area, his work covered the wide field of buying, selling, warehousing, transportation, and other activities.

For the past year as consultant he has been assisting Brigadier General Carl A. Hardigg, U. S. Army, Chief of the Subsistence Branch, Quartermaster Corps, in establishing methods for calculating Army supply requirements.



### Tin Conservation Changed

As a result of experience gained in administration of Conservation Order M-43, the War Production Board recently amended the order to effect technical changes aimed at correcting certain inequities in the conservation of the nation's supply of tin. In some cases it had been found that necessary tin had been eliminated, and in others that the tin content of material had been reduced too greatly. None of the changes affect in any way the provisions governing tin food containers, controlled by Order M-81.

The amended M-43, among other changes, permits the use of tin for tinning and retinning of equipment used in the preparation of food by institutional, industrial and commercial establishments. This was considered necessary, WPB stated, because of the limited amount of new equipment available.

Another new provision in the amended order is the permitted manufacture of tinfoil which contains not more than 1.5 per cent tin derived from secondary sources.

### Canned Milk Statistics

Production of evaporated milk (case goods) in April is estimated by the Department of Agriculture at 285,500,000 pounds, a decrease of 20 per cent from April production of last year. Production for the first four months of 1943 is estimated at 940,356,000 pounds, a decrease of 28 per cent from the production of the same period last year.

Stocks of evaporated milk held by manufacturers on May 1 amounted to 114,682,000 pounds, which is 36,875,000 more than April 1 stocks, but 48 per cent less than May 1, 1942.

The April output of condensed milk (case goods) is estimated at 11,500,000 pounds, an increase of 108 per cent over the April, 1942 output. Production for January to April this year, inclusive, is estimated at 39,574,000 pounds, an increase of 107 per cent over the production of the same months last year.

Stocks of condensed milk on May 1 were reported at 6,739,000 pounds, compared with 7,198,000 pounds on April 1 and 8,292,000 pounds on May 1, 1942.

### "T" Ration Period Stretched By ODT Regulation

The Office of Defense Transportation has reduced the mileage for trucks, buses, and taxi cabs in the gasoline shortage area of Northeastern United States by an overall 40 per cent. This reduction has been made by having the Office of Price Administration extend from June 30 to July 25 the valid period for 2nd-quarter "T" gasoline rations.

This means that every operator of a commercial motor vehicle must "stretch" his current "T" rations for an extra 25 days.

ODT is warning operators to begin stretching their gasoline now to avoid the risk of being caught without fuel in July.

The reduction is applicable in Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, the District of Columbia and West Virginia.

### Olive Conference Date Set

The annual Olive Technical Conference of the California Olive Association will be held June 24 and 25 at Santa Barbara, California. The meeting will discuss the industry's experience with wartime containers.

### Can Salvage Re-emphasized

The War Production Board is continuing to keep before the public the need for tin can salvage. In a recent press release WPB states that two out of every three cans that could be salvaged are thrown away. Collections, however, have increased from 1,000 tons in the first month of the salvage campaign to 20,000 tons in April.

Failure to salvage the maximum tonnage of tin cans, WPB reports in its release, means that 4,000 tons of pure tin, 396,000 tons of steel scrap, and 100,000 tons of cans for copper precipitation will be thrown away and lost for war use. It represents a loss of 5 billion cans.

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